92-2257

A	ALPHAREL INC	10Q	06-30-92
B	BOX ENERGY CORP	10Q	06-30-92
C	BRENTON BANKS INC	10Q	06-30-92
D	BYTEX CORP	10Q	06-30-92
E	COMERICA INC	10Q	06-30-92
F	ELMWOOD BANCORP INC	10Q	06-30-92
G	EQUITABLE OF IOWA COMPANIES	10Q	06-30-92
H	FIRST WESTERN FINANCIAL CORP	10Q	06-30-92
I	GATEWAY FINANCIAL CORP	10Q	06-30-92
J	IOWA SOUTHERN UTILITIES CO	10Q	06-30-92
K	KENAN TRANSPORT CO	10Q	06-30-92
L	OCEANEERING INTERNATIONAL INC	10Q	06-30-92
M	PARK COMMUNICATIONS INC	10Q	06-30-92
N	PRESTON CORP	10Q	06-30-92
O	PULSE BANCORP INC	10Q	06-30-92
P	TJ INTERNATIONAL INC	10Q	06-27-92
Q	TPI ENTERPRISES INC	10Q	06-30-92
R	UTAH MEDICAL PRODUCTS INC	10Q	06-30-92
S	NATIONAL ENERGY GROUP INC	10Q	03-31-92

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-15935

ALPHAREL INC.
(Exact name of registrant as specified in its charter)

CALIFORNIA	95-3634089
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3601 CALLE TECATE, CAMARILLO, CA 93012
(Address of principal executive offices and zip code)

(805) 482-9815
(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Number of shares of Common Stock outstanding
at July 31, 1992: 11,350,831

Number of Sequentially Numbered Pages: 12
Exhibit Index at Page 11

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ALPHAREL, INC.

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ALPHAREL, INC.

PART I. FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS

	June 30, 1992 (unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 4,569,000	$ 4,724,000
Receivables	1,372,000	1,004,000
Inventory	1,163,000	1,062,000
Other current assets	167,000	79,000
Total current assets	7,271,000	6,869,000
Property and equipment, net	615,000	686,000
DDTMS technology, net	1,880,000	1,992,000
Computer software, net	251,000	63,000
Other assets	396,000	452,000
Total assets	$10,413,000	$10,062,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1992 (unaudited)	December 31, 1991
Current liabilities:		
Current portion of capital lease obligations	$ 81,000	$ 117,000
Current portion of note payable	111,000	106,000
Accounts payable	600,000	222,000
Accrued liabilities	228,000	681,000
Billings in excess of costs	45,000	13,000
Total current liabilities	1,065,000	1,139,000
Capital lease obligations	127,000	169,000
Note payable	203,000	260,000
Total liabilities	1,395,000	1,568,000
Commitments and contingencies		
Shareholders' equity:		
Common stock, 20,000,000 shares authorized; 11,350,831 and 11,026,631 issued and outstanding, respectively	39,134,000	38,732,000
Retained earnings (deficit)	(30,116,000)	(30,238,000)
Total shareholders' equity	9,018,000	8,494,000
Total liabilities and shareholders' equity	$10,413,000	$10,062,000

See accompanying notes to the consolidated financial statements.

ALPHAREL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)
(In thousands except per share data)

	For the three months ended June 30,		For the six months ended June 30,	
	1992	1991	1992	1991
Revenue	$1,394	$1,488	$2,760	$3,056
Cost of revenue	951	705	1,936	1,598
Gross profit	443	783	824	1,458
Research and development	118	312	193	467
Marketing	142	142	274	239
General and administrative	147	167	293	330
Total operating expenses	407	621	760	1,036
Income from operations	36	162	64	422
Interest and other income	42	263	96	283
Interest and other expense	(17)	(22)	(38)	(46)
Income before taxes	61	403	122	659
Provision for taxes	-	-	-	-
Net income	$ 61	$ 403	$ 122	$ 659
Net income per share	$ .01	$ .04	$ .01	$ .07
Weighted average shares outstanding	11,869	10,045	11,899	10,017

See accompanying notes to the consolidated financial statements.

ALPHAREL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the six months ended June 30,	
	1992	1991
Cash flow from operating activities:		
Net income	$ 122,000	$ 659,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	280,000	288,000
(Increase) decrease in assets:		
Receivables	(308,000)	(270,000)
Inventory	(101,000)	283,000
Other assets	(88,000)	(369,000)
Increase (decrease) in current liabilities:		
Accounts payable	378,000	48,000
Accrued liabilities	(453,000)	53,000
Billing in excess of cost	32,000	(355,000)
Net cash provided (used) by operating activities	(138,000)	337,000
Cash flows from investing activities:		
Purchases of property and equipment	(77,000)	(60,000)
Purchases of software	(86,000)	-
Computer software costs capitalized	(118,000)	(2,000)
Increase in other assets	(7,000)	-
Net cash used in investing activities	(288,000)	(62,000)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(79,000)	(136,000)
Principal payments under a note payable	(52,000)	(35,000)
Proceeds from exercise of stock options	20,000	30,000
Proceeds from issuance of units	382,000	-
Net cash provided (used in) financing activities	271,000	(141,000)
Net incease (decrease) in cash and cash equivalents	(155,000)	134,000
Cash and cash equivalents at beginning of period	4,724,000	846,000
Cash and cash equivalents at end of period	$4,569,000	$ 980,000

See accompanying notes to the consolidated financial statements.

ALPHAREL, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

The accompanying consolidated balance sheet of Alpharel, Inc. (the "Company") as of June 30, 1992 and the consolidated statement of operations and of cash flows for the three and six month periods ended June 30, 1992 and 1991 are unaudited. The consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles applicable to interim periods. In the opinion of management, the consolidated financial statements include all adjustments necessary for a fair presentation of the financial position and the results of operations for the periods presented.

Note 2 - Net Income Per Share

Net income per share is computed on the basis of weighted average shares and common stock equivalent shares outstanding for each period presented, if dilutive.

Note 3 - Inventory

Inventory consists of components of the Company's DDTMS products at various stages of completion. At June 30, 1992 the Company's reserve against excess quantities of inventory was approximately $4,730,000.

RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 1992 COMPARED WITH THE THREE AND SIX MONTHS ENDED JUNE, 1991.

Revenue

Revenue for the three and six months ended June 30, 1992 was $1,394,000 and $2,760,000, respectively, as compared to $1,488,000 and $3,056,000 for the three and six months ended June 30, 1991. The decrease in revenue for the three and six months is primarily due to delays in orders from Caterpillar, the result of slowdowns caused by a strike by workers at Caterpillar. The striking workers returned to work in the first part of the second quarter; however, the Company did not begin to receive orders resulting from Caterpillar's reinstatement of the system rollout until the end of June. Although the system rollout has resumed, there can be no assurance the level of activity from Caterpillar for the year will not be adversely impacted by the after effects of the strike.

For the three and six months ended June 30, 1992 revenue consisted of new system revenue of $871,000 (62%) and $1,490,000 (54%), respectively, and $523,000 (38%) and $1,270,000 (46%), respectively, related to system enhancements, expansion and maintenance. This compares to 1991 revenue of $249,000 (17%) and $1,369,000 (45%), respectively, in new system revenue and revenue related to system enhancements, expansion and maintenance of $1,239,000 (83%) and $1,687,000 (55%), respectively. Proprietary hardware sales were $74,000 and $299,000 in the second quarter and first six months of 1992 versus $592,000 and $678,000, respectively for the comparable periods a year ago. Proprietary hardware sales can fluctuate significantly on a quarterly basis based on the timing of orders by those vendors providing hardware maintenance to the Army and Air Force's imaging systems which include proprietary hardware that Alpharel had manufactured in the past. The Company is no longer producing the hardware items that comprised these sales. The Company is maintaining accounting reserves in anticipation of the obsolescence of a portion of its existing inventories. However, there can be no assurance, that the Company will be able to sell such products without incurring losses in the future. The Company expects that revenues from proprietary hardware sales will decline substantially as the Company's hardware inventories decline.

A small number of customers have typically accounted for a large percentage of the Company's annual revenue. During the first six months of 1992, three customers comprised 51%, 17% and 12% of total revenue. In the first six months of 1991, three customers accounted for 30%, 26% and 12% of total revenue. One consequence of this dependence has been that revenue can fluctuate significantly on a quarterly basis. The Company's reliance on relatively few customers could have a material adverse effect on the results of its operations, particularly in light of the current prevailing adverse general economic conditions, which have adversely affected certain industries, including automotive, aerospace and defense-related manufacturing, in which many of the Company's principal customers operate. Certain of the Company's principal customers have recently experienced losses from operations and have reduced their capital expenditures. Additionally, a significant portion of the Company's revenues has historically been derived from the sale of systems to new customers. Additional sales of new systems can be expected to reduce the Company's dependence on a relatively small number of customers by providing an increasing base of customers for expansion, enhancement and maintenance services.

Gross Profit

Gross profit as percentage of revenue was 32% and 30% for the three and six months ended June 30, 1992. For the comparable periods in 1991, gross profit percentage was 53% and 48%, respectively. The decrease in gross profit percentage in the second quarter 1992 was primarily due to the fact that a greater portion of revenue was attributable to the sale of third party hardware which has a significantly lower margin than the sale of the Company's software and services. Also contributing to tha lower gross profit percentage for the first six months of 1992 versus 1991, was the sale of a third party software product in first quarter 1992. Gross profit percentage can fluctuate quarterly based on the percentage of revenues attributable to the resale of third party software or hardware. These products are resold at a lower gross profit percentage in order for the Company to remain competitive in the market place.

Operating Expenses

Research and development expense was $118,000 and $193,000 for the three and six months ended June 30, 1992 versus $312,000 and $467,000 for the three and six months ended June 30, 1991. The lower research and development expense for the quarter and six months was in part the result of software development costs of $61,000 and $118,000, respectively, which were capitalized. These costs were associated with several new software products which the Company announced in June. Also contributing to the lower research and development expense was a greater level of engineering services that was contract related, as opposed to internal Company development, and thus was included in cost of revenue.

Marketing expense was $142,000 and $274,000 for the three and six months ended June 30, 1992 as compared to $142,000 and $239,000 a year ago. There was no change in total marketing expense in second quarter 1992 as compared to 1991. The six months 1992 total reflects increased spending from 1991 levels relating to additional personnel. Since June 1992, the Company has added some additional sales personnel to follow-up on a recent increase in number of opportunities. These additions will result in higher level of marketing and sales expense in the second half of 1992.

General and administrative expense for the three and six months ended June 30, 1992 decreased to $147,000 and $293,000 from $167,000 and $330,000 for the three and six months ended June 30, 1991. The decrease in general and administrative expense was due primarily to an accrual for bonuses in the second quarter and first six months 1991 based on relatively higher earnings in the corresponding periods.

Interest and Other Income

Interest and other income was $42,000 and $96,000 for the three and six months ended June 30, 1992 as compared to $263,000 and $283,000 for the three and six months ended June 30, 1991. The 1991 totals include a net benefit of approximately $250,000 in second quarter 1991 relating to the favorable settlement of a claim regarding an investment loss in 1987. Before the effect of this benefit, interest income was greater than the prior year due to the increased return on the higher cash balances in 1992 versus 1991.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1992, the Company's cash and cash equivalents totaled $4,569,000 as compared to $4,724,000 at December 31, 1991. At June 30, 1992, the Company's current ratio was approximately 7 to 1. The Company has no commercial lending facilities.

During the first six months of 1992, the Company used cash of $138,000 in operating activities and $288,000 in investing activities. The use of cash was offset partially by $271,000 provided by financing activities. For the first six months of 1991, the Company generated $337,000 from operating activities which was offset by $62,000 in investing activities and $141,000 primarily relating to principal payments under capital lease obligations and a note payable.

Over the past two years, the Company has shown the capability to achieve profitable operations on a sustained basis. Moreover, the Company believes that with the demonstrated profitability and the additional equity provided by the unit offering completed in 1991, not only does the Company have greater financial flexibility and safety through increased liquidity, but also the resources to attract potential customers concerned with the ability of the Company to provide long-term product support. The Company believes that its current working capital and funds generated from operations will be adequate to enable the Company to continue on-going operations and to meet its currently expected needs for working capital and capital expenditures over at least the next twelve months.

In the past, the Company has generally limited the number of contracts sought from customers requiring substantial bonds or deposits; however, such bonds or deposits are often required by state and local governments, and occasionally by other types of potential customers. Bond or deposit amounts required are generally a percentage of the total contract price. Such bonds or deposits generally must remain in place from the award of the contract until acceptance of the work performed, which in the absence of a dispute typically occurs within six to nine months after award of the contract. The Company does not expect that the posting of such bonds or deposits in the future will have a material adverse effect on the Company's ability to meet its needs for liquidity and working capital.

The Company anticipates that it will maintain its capital expenditures at a level consistent with past levels. Although there can be no assurance that the Company will experience further growth in revenues, management anticipates that additional revenue will increase the Company's working capital needs. In addition, as new opportunities arise, the Company expects to expand its technical and marketing staffs.

Net Operating Loss Tax Carryforwards

As of December 31, 1991, the Company had a net operating loss carryforward ("NOL") for Federal income tax purposes of $16,400,000. In addition, the Company generated but has not used research and investment tax credits for Federal income tax purposes of approximately $700,000. Under the Internal Revenue Code of 1986, as amended (the "Code"), the Company generally would be entitled to reduce its future Federal income tax liabilities by carrying unused NOL forward for a period of 15 years to offset future taxable income earned, and by carrying unused tax credits forward for a period of 15 years to offset future income taxes. The Company's ability to utilize any NOL and credit carryforwards in future years may be restricted, however, in the event the Company undergoes an "ownership change" as defined in the Code. In the event of an ownership change, the amount of NOL attributable to the period prior to the ownership change that may be used to offset taxable income in any year thereafter generally may not exceed the fair market value of the Company immediately before the ownership change (subject to certain adjustments) multiplied by the applicable long-term, tax-exempt rate announced by the Internal Revenue Service in effect for the date of the ownership change. A further limitation would apply to restrict the amount of credit carryforwards that might be used in any year after the ownership change. As a result of these limitations, in the event of an ownership change, the Company's ability to use its NOL and credit carryforwards in future years may be delayed and, to the extent the carryforward amounts cannot be fully utilized under these limitations within the carryforward periods, these carryforwards will be lost. Accordingly, the Company may be required to pay more Federal income taxes or to pay such taxes sooner than if the use of its NOL and credit carryforwards were not restricted.

The Company does not believe it has undergone an ownership change since 1987. Nonetheless, additional issuances of equity securities by the Company or the transfer of outstanding equity securities by shareholders could result in an ownership change, thereby subjecting the Company to the limitations described above.

PART II. OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Security Holders:

The Annual Meeting of Shareholders was held June 12, 1992. At the meeting, the shareholders approved a proposal to amend the Company's 1987 Stock Option Plan to reflect certain changes in Rule 16b-3 under the Securities Exchange Act of 1934 and to delete certain restrictions on granting of options and the exercising of options by Directors. The proposal was approved with 7,614,527 proxies voting yes, 484,000 voting no, and 145,757 abstaining.

In addition, at the meeting, the following individuals were elected as directors who will hold office until the next annual meeting: Walter F. Bauer, Robert T. Bruce, Roger H. Erickson, Michael J. McGovern, William C. Silbert, and Larry D. Unruh.

Item 6 - Exhibits and Reports on Form 8-K:

(a) Exhibits - See Exhibit Index on Page 11.

(b) There were no reports on Form 8-K filed for the three months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALPHAREL, INC.

By: /s/Roger H. Erickson
Roger H. Erickson
President and Chief Executive Officer

By: /s/John W. Low
John W. Low
Chief Financial Officer

Dated: August 12, 1992

EXHIBIT INDEX

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EXHIBIT 11

ALPHAREL, INC.

STATEMENT RE COMPUTATION OF NET INCOME PER SHARE
(Unaudited)
(In thousands except per share data)

	For three months ended June 30,		For six months ended June 30,	
	1992	1991	1992	1991
Net income per consolidated financial statements	$ 61	$ 403	$ 122	$ 659
Primary net income per share:				
Weighted average common shares	11,343	9,351	11,313	9,301
Common stock equivalents:				
Common stock options	526	694	585	716
Common stock warrants	-	-	1	-
Weighted average shares outstanding	11,869	10,045	11,899	10,017
Fully diluted net income per share:				
Weighted average common shares	11,343	9,351	11,313	9,301
Common stock equivalents:				
Common stock options	526	694	585	716
Common stock warrants	-	-	1	-
Weighted average shares outstanding	11,869	10,045	11,899	10,017
Net income per share:				
Primary	$ .01	$ .04	$ .01	$ .07
Fully diluted	$ .01	$ .04	$ .01	$ .07

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

[✓] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 1992

Commission file number 1-8170

Box Energy Corporation
(Exact name of registrant as specified in its charter)

Delaware	75-2369148
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8201 Preston Road, Suite 600, Dallas, TX 75225-6211
(Address of principal executive offices)

(214) 890-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

On August 13, 1992, 3,245,110 shares Class A common stock and 17,558,010 shares Class B common stock were outstanding.

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BOX ENERGY CORPORATION

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BOX ENERGY CORPORATION
CONDENSED BALANCE SHEETS

ASSETS

	June 30, 1992 (Unaudited)	December 31, 1991
Current assets		
Cash and cash equivalents	$ 348,000	$ 1,094,000
Accounts receivable	2,051,000	1,090,000
Prepaid expenses and other current assets	227,000	92,000
Total current assets	2,626,000	2,276,000
Oil and gas properties	129,851,000	119,116,000
Accumulated depreciation, depletion and amortization	(75,945,000)	(74,724,000)
	53,906,000	44,392,000
Deferred income tax asset	7,187,000	—
Other assets	6,947,000	6,677,000
Accumulated depreciation and amortization	(802,000)	(444,000)
	13,332,000	6,233,000
	$ 69,864,000	$ 52,901,000

LIABILITIES AND STOCKHOLDERS' EQUITY/PARTNERS' CAPITAL

	June 30, 1992 (Unaudited)	December 31, 1991
Current liabilities		
Accounts payable	$ 2,154,000	$ 1,389,000
Other trade payables	7,780,000	—
Short-term notes payable	2,772,000	2,900,000
Total current liabilities	12,706,000	4,289,000
Notes payable	2,113,000	—
Estimated liability for dismantlement	2,306,000	2,312,000
Total other liabilities	4,419,000	2,312,000
Total liabilities	17,125,000	6,601,000
Partner's capital	—	46,300,000
Common Stock, $1.00 Par Value		
Class A (Voting) Authorized 15,000,000 Shares Issued 3,245,110 Shares	3,245,000	—
Class B (Non-voting) Authorized 30,000,000 Shares Issued 17,558,010 Shares	17,558,000	—
Additional paid in capital	25,197,000	—
Retained earnings	6,739,000	—
Total capital	52,739,000	46,300,000
	$ 69,864,000	$ 52,901,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
CONDENSED STATEMENTS OF INCOME (LOSS) AND STOCKHOLDERS EQUITY
(Unaudited)

	Three Months ended June 30,	
	1992	1991
Net Revenues	$ 3,561,000	$ 4,086,000
Costs and expenses		
Operating costs and expenses	617,000	550,000
Net profits interest expense	—	1,699,000
Depreciation, depletion and amortization	939,000	928,000
Dismantlement of oil and gas properties	7,000	5,000
General and administrative	2,357,000	1,598,000
Management fees	17,000	100,000
Interest and financing costs	72,000	74,000
Total costs and expenses	4,009,000	4,954,000
(Loss) before taxes	(448,000)	(868,000)
Income tax (benefit)	(7,187,000)	—
Net income	$ 6,739,000	$ (868,000)
Earnings per common share/partnership unit	$ .32	$ (.04)
Partnership units outstanding	—	20,391,170
Class A (Voting) common stock	3,245,110	—
Class B (Non-voting) common stock	17,558,010	—
	20,803,120	20,391,170

	Capital General Partner	Capital Limited Partners	Class A Common Stock Par Value	Class B Common Stock Par Value	Additional Paid in Capital	Retained Earnings
Beg. capital 3/31/92	$460,000	$45,540,000				
Transfer assets to Box Energy Corporation	(460,000)	(45,540,000)	$3,245,000	$17,558,000	$25,197,000	—
Net income 2nd qtr.						$6,739,000
Ending capital 6/30/92	$ —	$ —	$3,245,000	$17,558,000	$25,197,000	$6,739,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
CONDENSED STATEMENTS OF INCOME (LOSS) AND STOCKHOLDERS EQUITY
(Unaudited)

	Six Months ended June 30,	
	1992	1991
Net Revenues	$ 6,133,000	$ 13,803,000
Costs and expenses		
Operating costs and expenses	1,318,000	1,254,000
Net profits interest expense	—	3,887,000
Depreciation, depletion and amortization	1,556,000	1,930,000
Dismantlement of oil and gas properties	9,000	5,000
General and administrative	3,715,000	3,649,000
Management fees	117,000	200,000
Interest and financing costs	166,000	89,000
Total costs and expenses	6,881,000	11,014,000
(Loss) before taxes	(748,000)	2,789,000
Income tax (benefit)	(7,187,000)	—
Net income	$ 6,439,000	$ 2,789,000
Earnings per common share/partnership unit	$ .31	$ .14
Partnership units outstanding	—	20,391,170
Class A (Voting) common stock	3,245,110	—
Class B (Non-voting) common stock	17,558,010	—
	20,803,120	20,391,170

	Capital General Partner	Capital Limited Partners	Class A Common Stock Par Value	Class B Common Stock Par Value	Additional Paid in Capital	Retained Earnings
Beg. capital 12/31/91	$463,000	$45,837,000				
Net income (loss) 1st qtr.	(3,000)	(297,000)				
Transfer assets to Box Energy Corporation	(460,000)	(45,540,000)	$3,245,000	$17,558,000	$25,197,000	—
Net income 2nd qtr.						$6,739,000
Ending capital 6/30/92	$ —	$ —	$3,245,000	$17,558,000	$25,197,000	$6,739,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months ended June 30,	
	1992	1991
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers for oil and gas sales	$ 5,119,000	$ 15,765,000
Cash received from other sources	47,000	1,479,000
Interest received	6,000	881,000
Cash paid to suppliers and employees	(4,526,000)	(6,128,000)
Cash paid to net profits interest owner	—	(7,124,000)
Cash paid for interest and financing costs	(161,000)	(92,000)
Net cash provided by operating activities	485,000	4,781,000
Cash flows from investing activities:		
Payments for capital expenditures	(10,996,000)	(10,211,000)
Net cash used by investing activities	(10,996,000)	(10,211,000)
Cash flows from financing activities:		
Proceeds from notes payable	4,060,000	—
Other financing from trade payables	7,780,000	—
Principal payments on notes payable	(2,075,000)	—
Cash distributions	—	(6,179,000)
Net cash provided (used) by financing activities	9,765,000	(6,179,000)
Net increase (decrease) in cash and cash equivalents	(746,000)	(11,609,000)
Cash and cash equivalents at beginning of period	1,094,000	28,266,000
Cash and cash equivalents at end of period	$ 348,000	$ 16,657,000
Reconciliation of net income to net cash provided by operating activities:		
Net Income	$ 6,439,000	$ 2,789,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,556,000	1,930,000
Dismantlement of oil and gas properties	9,000	5,000
(Increase) decrease in accounts receivable	(961,000)	4,335,000
(Increase) in prepaid expenses and other current assets	(135,000)	(39,000)
Increase (decrease) in accounts payable	764,000	(1,002,000)
(Decrease) in net profits interest payable	—	(3,237,000)
Deferred income taxes (benefit)	(7,187,000)	—
Total adjustments	(5,954,000)	1,992,000
Net cash provided by operating activities	$ 485,000	$ 4,781,000

See accompanying Accounting Policies and Notes.

BOX ENERGY CORPORATION
ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS
June 30, 1992

Note 1. Accounting Policies

Basis of Presentation

On April 15, 1992, OKC Limited Partnership (the "Partnership") filed a Certificate of Cancellation with the Secretary of State of the State of Texas. All of the assets and liabilities of the Partnership were transferred to Box Energy Corporation ("Box Energy" or the "Company") in exchange for the common stock of such corporation, which stock was distributed to the General Partners, Limited Partners and other unitholders of the Partnership. See Item 5 of Part II, "Other Information." For accounting purposes, the assets, liabilities and equity account balances of the Partnership as of March 31, 1992 were transferred to open the books of Box Energy Corporation effective as of April 1, 1992. Statements of Income (Loss) and Statements of Cash Flows during 1992 reflect a combination of Box Energy Corporation and OKC Limited Partnership in order to provide comparative financial statements.

Financial information provided in this report reflects all transactions and adjustments which are, in the opinion of management, necessary for a fair statement of results of operations and financial position for the interim periods. All adjustments are of a normal recurring nature. The financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore may not include all disclosures required of financial statements prepared in conformity with generally accepted accounting principles.

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments which are readily convertible to cash and have original maturities of three months or less.

Oil and Gas Properties

The oil and gas properties of Box Energy Corporation were initially recorded as of April 1, 1992 to reflect the cost and the accumulated depletion, depreciation and amortization of those properties to the Partnership as of March 31, 1992. Oil and gas properties, which are accounted for on the successful-efforts method, are recorded at cost. Costs of undeveloped properties, development drilling and successful exploratory drilling are capitalized, including interest on funds borrowed for construction of certain assets. Total interest expense incurred for the six months ending June 30, 1992 was $275,000, of which $109,000 was capitalized. No interest was capitalized in the prior period. All costs relating to unsuccessful oil and gas exploration, delay rentals and abandoned and dismantled properties are expensed. Upon the sale or other disposition of an oil and gas property, the cost of such asset and related accumulated depreciation, depletion and amortization amounts are removed from the accounts, and any gain or loss is reflected in the statements of income (loss). Costs of producing properties are depreciated and depleted on the units-of-production method.

Total dismantlement, restoration and abandonment liability of the offshore platforms and related wells is estimated at $3,811,000. The liability is amortized against income using the units-of-production method and total proved reserves.

Other Trade Payables

Other trade payables on June 30, 1992 include outstanding invoices payable to the operator of the South Pass area properties. In accordance with the Joint Operating Agreement, Box Energy is paying interest at 6% on these outstanding invoices until paid. Operator's liens related to these payables had been filed in the amount of $5,495,000 as of June 30, 1992. Such amount was paid subsequent to June 30, 1992, and all liens have been released.

Notes Payable

The Company is indebted under a seven year monthly installment note payable to a financing company which is collateralized by a Beechcraft King Air. The principal balance of the note on June 30, 1992 was $2,395,000, of which $282,000 is due during the next twelve months and is classified as a short-term note payable. The final installment is payable in February 1999. Interest is payable under the note at 8.5%.

Short-term borrowings also include $1,000,000 of demand notes payable to a bank with interest at 1% above the bank's prime lending rate and $1,490,000 of demand notes payable to CKB & Associates, Inc. at prime plus 2%. See Note 2. Related Party Transactions.

Common Stock

Class A and Class B common stock of the Company are entitled to equal participation in earnings, dividends and liquidation. Class A common stock has voting rights while Class B common stock has no voting rights, unless otherwise required by Delaware law. A majority of the Class A common stock is owned by Cloyce K. Box, President and Chairman of the Board of Box Energy. 3,000,000 shares of authorized but unissued Class B common stock have been reserved for the two 1992 stock option plans. See Note 3. Stock Option Plans.

Income Taxes

Box Energy has adopted the method of accounting for income taxes set forth in Statement of Financial Accounting Standards ("SFAS") No. 109. The approach of SFAS No. 109 is to recognize as assets or liabilities the estimated future tax consequences attributed to temporary differences between financial statement amounts and the tax basis of assets and liabilities using the enacted tax rates effective for the years in which these temporary differences are expected to reverse.

The Company has recorded a deferred tax asset in the amount of $7,187,000 in accordance with SFAS No. 109. The largest portion of this asset is related to the temporary differences between the book and tax basis of the oil and gas properties. In addition, the Company has generated a taxable net loss carryforward which will expire in the year 2007. The Company has not set up a valuation allowance for the deferred tax asset as the temporary differences are expected to fully reverse in future years.

Prior to the transfer of the assets and liabilities from the Partnership to Box Energy on April 15, 1992, taxable income or loss of the Partnership was allocated directly to its partners and unitholders; therefore, no income tax expense was recognized in the financial statements of the Partnership.

Earnings (Loss) per Common Share/Partnership Unit

Earnings (loss) per share for Box Energy is computed by dividing the net income (loss) for the period by the weighted average of the common shares outstanding (both Class A common stock and Class B common stock). The potential dilution from stock options granted to directors and employees is not considered to have a material effect on earnings per common share. See Note 3. Stock Option Plans.

Prior to the transfer of the Partnership's assets, liabilities and operations to Box Energy, net income (loss) per unit was calculated by dividing the net income (loss) allocated to the limited partners and other unitholders (99% of the total) by the total number of units outstanding. The remaining 1% was allocable to the interest of the individual general partner, which was not represented by units.

The effect on earnings (loss) per share/unit for the first quarter of 1992 as a result of the issuance of 411,950 shares of common stock to the general partners in connection with the corporate conversion is not considered material. Therefore, the weighted average of the common shares outstanding has been computed as if the equivalent number of shares had been issued to the general partners at the beginning of the year.

Note 2. Related Party Transactions

Under the terms of the Amended and Restated Certificate and Articles of Limited Partnership of the Partnership, the general partners, Cloyce K. Box and CKB & Associates ("Associates"), were entitled to reimbursement of all expenses incurred by them on behalf of the Partnership. For the three months ended March 31, 1992, the Partnership received a refund from Associates in the amount of $39,000 for credits received from outside vendors charged to the Partnership in the prior year. For the three month period ended June 30, 1992, Associates billed Box Energy $134,000 for expenses allocable to the Company. During the same periods in 1991 expenses totaling $1,000 and $4,000 were billed to the Partnership by Associates.

Prior to the dissolution of the Partnership, Associates was guaranteed an annual minimum management fee equal to the greater of $400,000 or 1% of Partnership net revenues, as defined, or a minimum monthly draw of $33,333. For the period beginning January 1, 1992 through April 15, 1992, Associates was entitled to a management fee of $117,000. During the six months ended June 30, 1991, Associates was entitled to a management fee of $200,000. Box Energy does not pay a management fee to Associates.

Associates has made short term loans to both Box Energy and the Partnership during the first half of 1992. On June 30, 1992 the outstanding principal balance was $1,490,000. Interest payable at the rate equal to prime plus 2 % totaled $7,000 for the six months ended June 30, 1992. Subsequent to June 30, 1992, Associates has loaned the Company an additional $3,676,000.

CKB Petroleum, Inc., an affiliate of Associates, owns a minority interest in the oil pipeline from the wells in South Pass Blocks 86 and 89 to Venice, Louisiana. The tariff for the pipeline is published and filed with the Federal Energy Regulatory Commission which regulates such rates. The rate is uniform among all common carriers from South Pass Block 89 Field. CKB Petroleum, Inc. billed the Partnership $274,000 for pipeline transportation charges for the three months ended March 31, 1992 and billed Box Energy $377,000 for the three months ended June 30, 1992. For the three and six month periods ended June 30, 1991, the Partnership was billed $378,000 and $790,000, respectively.

Box Interiors, an affiliate of Associates, billed the Partnership at cost for furnishings and accessories related to the construction and finish-out of office space now used by Box Energy. The billings were $12,000 during the first quarter of 1992. The Partnership was billed $200,000 and $704,000, respectively, for the three and six month periods ended June 30, 1991.

On June 30, 1992, Box Energy was indebted to a bank in the amount of $1,000,000. Interest expense accrued during the six months ended June 30, 1992 was $40,000. A director of Box Energy Corporation is Chairman of the Board and President of the bank. In addition, a 15% owner of Box Energy Class A common stock is also a director of the bank.

Note 3. Stock Option Plans

The Company has adopted two plans under which stock options may be granted: the 1992 Non-qualified Stock Option Plan and the 1992 Incentive Stock Option Plan.

The 1992 Non-Qualified Stock Option Plan provides for the granting of a maximum of 1,000,000 stock options to directors of the Company for the purchase of up to 50,000 shares per director of Class B (Non-voting) common stock. The exercise price is equal to the closing price of the stock on the date of grant.

The 1992 Incentive Stock Option Plan provides for the granting of a maximum of 2,000,000 stock options to employees of the Company for the purchase of up to 20,000 shares per employee of Class B (Non-voting) common stock. The exercise price is equal to the closing price for the common stock at the date of grant, except for employees owning more than 10% of the voting stock, for which the exercise price is 110% of the closing price on the date of grant.

Under both stock option plans 50% of the options are exercisable no sooner than three years from the date of the grant, and the remaining 50% may be exercised only after five years from the date of the grant. Both plans are administered by a stock option committee composed of three members of the Board of Directors. Transactions involving the plans are summarized below.

1992 Non-Qualified Stock Option Plan

Outstanding April 15, 1992	-0-
Granted	225,000
Exercised	-0-
Expired	-0-
Outstanding balance June 30, 1992	225,000
Exercise Price: $11.875 per share	

1992 Incentive Stock Option Plan

Outstanding April 15, 1992	-0-
Granted	142,600
Exercised	-0-
Expired	-0-
Outstanding June 30, 1992	142,600
Exercise Price: $11.875-$13.063 per share	

Note 4. Contingencies

Simplot Case

The Partnership and its general partners were named as defendants in a lawsuit filed on November 9, 1987 in the U. S. District Court for the Northern District of Texas, Dallas Division, entitled B. R. Griffin, et al. v. Cloyce K. Box, et al., No. CA3-87-2655-T. In that action, plaintiffs who were six holders of Partnership units (one plaintiff requested that he be removed and was dismissed on May 19, 1992) allege, among other things, that defendants misrepresented the rights of Limited Partners through false and misleading public filings with the Securities and Exchange Commission, engaged in self-dealing, usurped opportunities for the Partnership, amended provisions of the Partnership Agreement without authority and breached the Partnership Agreement.

On February 22, 1988, the District Court granted defendants' motions for partial summary judgment, ruling that only those persons who held Limited Partner units of the Partnership - i.e., units acquired by the stockholders of record of OKC Corp. as of May 1, 1981 upon the liquidation and dissolution of OKC Corp. and which have never thereafter been transferred - could vote as Limited Partners on partnership matters. The court also granted for the defendants a preliminary injunction, restraining plaintiffs from interfering with the general partners' management of the Partnership. Plaintiffs appealed to the United States Court of Appeals for the Fifth Circuit. On August 29, 1990, the Fifth Circuit issued its opinion affirming the District Court's February 22, 1988 orders. The Fifth Circuit ruled: (i) that the language of the Partnership Agreement permitting only Limited Partners to vote is clear and unequivocal; (ii) that transferee unitholders have no absolute right to the status of substitute Limited Partners; and (iii) that transferee unitholders have no voting rights unless they are so admitted as substitute Limited Partners.

On July 2, 1991, plaintiffs filed a motion for a temporary restraining order and a preliminary injunction seeking to enjoin a proposed transaction to dissolve the Partnership and transfer its assets to Box Energy in exchange for Box Energy common stock, which would then be distributed to Partnership unitholders on a one-for-one basis for Partnership units. The District Court issued a temporary restraining order on July 17, 1991 and, on October 4, 1991, granted plaintiffs' motion for a preliminary injunction, thereby enjoining the consummation of the proposed transaction "until final judgment is entered in this action or until further order of the court." On March 5, 1992, the United States Court of Appeals for the Fifth Circuit reversed the October 4, 1991 Order of the District Court and vacated the preliminary injunction. The Fifth Circuit ruled that the District Court abused its discretion in enjoining the consummation of the proposed transaction because plaintiffs failed to establish a reasonable likelihood of success on the merits of their claim that transferee unitholders have voting rights. Based on the Fifth Circuit's holding, the transaction occurred on April 15, 1992. See Item 5. Other Information.

The remaining claims asserted by plaintiffs involve the federal securities laws, state law claims including fraud, negligent misrepresentation and breach of fiduciary duty, and federal racketeering. Plaintiffs seek $20 million in compensatory damages and $60 million in punitive damages. In addition, plaintiffs request ancillary relief in the form of disgorgement of illegal profits, reconveyance of certain assets to the Partnership by the defendants and the imposition of a constructive trust upon any assets acquired by defendants as a result of a breach of fiduciary duty. Plaintiffs also seek certain declaratory relief, including a declaration that all transferee unitholders have voting rights.

The defendants have denied the substantive allegations in the complaint. In addition, the Partnership and the General Partners have filed a counterclaim against plaintiffs alleging violations of the federal securities laws, the Partnership Agreement, the Amendments to the Partnership Agreement and Texas law. The Partnership and the General Partners seek an injunction, $2,000,000 in actual damages and $10,000,000 in punitive damages. Discovery is complete, and the trial is now scheduled to begin on September 8, 1992.

Phillips Petroleum Case

In June 1990, Phillips brought an action against the Partnership in United States District Court for the Eastern District of Louisiana, New Orleans Division, claiming that it is entitled to receive an overriding royalty interest for certain individual months in which monthly net profits were not achieved. In this suit, Phillips also claimed that the net profits account was being charged an excessive oil transportation fee. The Partnership moved to dismiss this action for want of federal jurisdiction. This motion was granted. Prior to the granting of the motion, however, Phillips filed a similar suit in Louisiana state court in Plaquemines Parish. Shortly after Phillips filed this suit, the Partnership filed an action for a declaratory judgment on Phillips' claims in state district court in Collin County, Texas. Phillips' Plaquemines Parish action was later transferred to Orleans Parish because of improper venue.

Following the settlement with Texas Eastern Transmission Corporation, the Partnership amended its Collin County action to seek a declaratory judgment that the amount credited to the net profits account by the Partnership as a result of the Texas Eastern Settlement was proper. Many months later, in September 1991, Phillips amended its Orleans Parish action to include a claim regarding the Texas Eastern Settlement. Phillips claims in both cases that all of the proceeds received by the Partnership in the Texas Eastern Settlement should have been credited to its net profits account. The Partnership believes that this issue is controlled by the provision of its farmout agreement with Phillips, which states that Phillips "shall look exclusively to the oil, gas, condensate, and other hydrocarbons, and all minerals produced from the subject lease for the satisfaction and realization of the net profits interest", and, as a result, Phillips is not entitled to receive any additional portion of the settlement proceeds because such proceeds were paid to settle litigation relating to marketing disputes instead of paying for production. Phillips also claims that it is entitled to receive an overriding royalty interest for certain individual months in which monthly net profits were not achieved and that the oil transportation tariff previously approved by the Federal Energy Regulatory Commission and charged against the net profits account should be reduced.

Phillips also claims that it is entitled to double damages, interest, attorneys fees and cancellation of the farmout agreement by virtue of certain Louisiana statutes pertaining to a mineral lessor or other royalty owner seeking payment of royalties from a lessee who has failed to respond to a claim for unpaid royalties with a written response stating a reasonable cause for nonpayment. The Partnership believes that such statutes are inapplicable because Phillips is not a mineral lessor or other royalty owner, royalties are not involved, and Phillips was given a timely written response stating a reasonable cause for nonpayment. Counsel for the Partnership will aggressively assert the Partnership's claims and defenses in both actions.

Note 5. Pension Plan

A portion of the pension plan and the related assets that pertain to employees of Box Energy including Cloyce K. Box and former employees of Associates employed on behalf of the Partnership, was transferred from Associates to Box Energy and Box Energy has become directly liable for all future costs. Such assumption includes a net amortizable credit for unfunded liabilities, actuarial gains and losses, and changes in assumptions and benefits as of January 1, 1991.

Note 6. Oil and Gas Properties

Subsequent to the disclosure of proved developed and undeveloped oil and gas reserves included in the Form 10-K filed by the Partnership for the period ended December 31, 1991, a substantial discovery of oil and gas reserves was made on South Pass Block 87. Internal engineering studies have indicated that the discoveries by Wells 87-3 and 87-4 have added 1,713,000 barrels of oil and 13.94 Bcf of gas to proved undeveloped reserves and $20,122,000 to the Standardized Measure of Discounted Future Net Cash Flows.

In addition, the Standardized Measure of Discounted Future Net Cash Flows as reported in the same Form 10-K did not include a provision for income taxes since the Partnership was a non-taxable entity. Box Energy as an entity subject to income tax, will include a provision for income taxes which will reduce the Standardized Measure of Discounted Future Net Cash Flows by approximately $39,361,000.

The determination of these reserves is a complex and highly interpretative process which is subject to continued revision as additional information becomes available. In most cases, a relatively accurate determination of reserves may not be possible for several years due to the time necessary for development drilling, testing and studies of the reservoirs. Due to the imprecise nature of the oil and gas reserves and the uncertainty of future economic conditions, the Company makes no representation regarding what interpretations may be made or what degree of reliance may be placed on this estimate of proved oil and gas reserves.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Liquidity and Capital Resources

The Company's primary business strategy is to continue the exploration, development and production of its oil and gas properties located in South Pass Blocks 86, 87 and 89 in the Gulf of Mexico. Drilling in the Southern portion of Block 89 is substantially complete, while the northern portion of Block 89 and Blocks 86 and 87 are in the beginning stages of development. Offshore development of this magnitude requires large capital commitments, but the rewards can be substantial. The long term liquidity of the Company appears very positive due to a favorable gas contract for South Pass Block 89, which has substantial proved gas reserves, the commencement of production from Platform C, and the recent discoveries on South Pass Blocks 86 and 87. Development of Block 86 and the northern portion of Block 89 is well underway with the placement of Platform C and the completion of three new wells from that platform in the first and second quarters of 1992. Oil and related casinghead gas production has increased substantially with these additional new wells. Block 87 is in the initial development stages and will require the largest commitment of capital for the next several years. The large capital expenditures incurred in the second quarter have had a substantial effect on the short term liquidity of the Company, as evidenced by the increase in other trade payables. Cash from operations has decreased because of the lower oil and gas production as discussed below in Results of Operations. Subsequent to the June 30, 1992, Associates loaned an additional $3,691,000 to the Company and expects to continue to do so until a line of credit is established. The Company is presently negotiating for a $25,000,000 line of credit. At this time Box Energy does not have a binding commitment from any lender. The Company is also considering other sources of financing which may or may not include debt or equity financing. In addition, cash from operations is expected to increase significantly during the third and fourth quarters with the successful completion of the three Platform C wells which is expected to increase the Company's net oil and gas production.

Capital expenditures during the second quarter were $7,752,000, bringing the total for the year to date to $10,996,000. A large portion of the total expenses to date were to complete construction of Platform C and the tie back and completion of the three producing wells. In addition, the company paid $2,775,000 for the drilling of Well 87-3 in South Pass Block 87. Management expects to invest an additional $10,189,000 in capital expenditures during the remainder of 1992. Of this amount, $5,000,000 is budgeted for two additional wells from Platform C and $3,000,000 is budgeted for additional exploratory drilling in South Pass Block 87. Preliminary expenditures on a platform for Block 87 are also expected to be incurred later this year.

Looking forward to 1993, the Company is anticipating capital expenditures of approximately $17,500,000. Plans for 1993 include drilling one additional well from Platform C and one additional well in South Pass Block 87. In addition, another well is proposed to be drilled from Platform B for $2,500,000 which will hasten depletion of the oil reserves in this area so that gas cap blowdown can occur. Also, $4,678,000 has been budgeted for construction of the platform to be located in South Pass Block 87.

Due to the anticipated large capital expenditures, management does not expect any cash dividends to be declared or paid for the remainder of 1992. The Company has not yet formulated its dividend policy for 1993.

Liquidity and capital resources of the Company could be adversely affected by certain possible outcomes of litigation with Phillips Petroleum and the Simplot group. See Note 4. Contingencies. However, management believes that the Company's forecasted increase in net revenues will enable the Company to bear the burden of such possible outcomes.

2. Results of Operations

The results of oil and gas exploration and production activities appear to be very promising. During the first half of 1992, Box Energy successfully completed and installed Platform C located in South Pass Block 86. Three wells, C-1, C-2 and C-3, were tied back and producing by the end of July. Production from the first two of these wells increased net oil revenues by $510,000 during the second quarter.

Exploration drilling in South Pass Block 87 was encouraging as Well 87-4 was completed and flow tested in July at a rate of 2,590 barrels of oil per day and 4.6 MMcf of gas per day. The results were limited by service equipment capacity, and engineering studies based on pressure draw down tests indicated that production flow rates could have easily exceeded 4,000 barrels of oil per day.

Oil revenues from Platform B in South Pass Block 89 decreased $1,147,000 because of a 55,079 barrel decrease in oil production and an additional $255,000 due to lower oil prices. Offsetting this production decline from Platform B was the production of 24,027 barrels from Platform C which resulted in additional revenues of $510,000. The decrease in production was caused by the shut-in of one well, B-19, because of a high gas to oil ratio and the loss of a second well, B-3, due to mechanical difficulties.

Gas production from Platform B in South Pass Block 89 decreased 1,146,676 Mcf for the same reasons as the decrease in oil production, which caused gas revenues to decrease $5,502,000. A decrease in gas prices caused an additional decrease in gas revenues of $487,000. However, gas production of 33,260 Mcf from Platform C increased revenue by $225,000.

Operating expenses remained constant during the comparable periods. Net profits expense decreased because of the combination of lower production and higher capital expenditures for South Pass Block 89. In addition the net profits expense for 1991 included an additional $1,500,000 payment in connection with the Texas Eastern settlement.

Depletion, depreciation and amortization expense decreased as a direct result of the lower oil and gas production, but was partly offset by increased depreciation expense of office leasehold and amortization of organization costs.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Part I, Item 1, Note 3 of this Form 10-Q and the Partnership's Form 10-Q for the quarter ended March 31, 1992.

Item 4. Submission of Matters to a Vote of Security Holders

Box Energy Corporation held its annual meeting of shareholders on July 1, 1992. At this meeting the shareholders re-elected the following persons to its Board of Directors: Cloyce K. Box, Don D. Box, John F. Arning, Kent R. Hance, Nauman S. Scott, III, Norman W. Smith, Roger Staubach, Ewell Doak Walker and Richard S. Whitesell, Jr. At that meeting the shareholders also ratified and approved Coopers & Lybrand as auditor for 1992, the 1992 Non-Qualified Stock Option Plan and the 1992 Incentive Stock Option Plan. No other matters were brought before the shareholders to be voted upon at such meeting.

Item 5. Other Information

On March 5, 1992, the U.S. Court of Appeals for the Fifth Circuit overturned a preliminary injunction previously obtained by the Simplot Group that had enjoined the Partnership's conversion into corporate form. As a result, in accordance with the vote of the General Partners and a majority in interest of Limited Partners, the Partnership filed a Certificate of Cancellation with the Secretary of State of Texas on April 15, 1992, and transferred all of its assets and liabilities to Box Energy in exchange for the common stock of such corporation. In accordance with the Proxy Statement of OKC Limited Partnership and Prospectus of Box Energy dated July 2, 1991, and the supplement thereto dated October 22, 1991 (the "Proxy and Prospectus"), and the Registration Statement filed with the Securities and Exchange Commission by Box Energy regarding the issuance of shares pursuant to the Proxy and Prospectus, the limited partners of the Partnership with voting rights and Cloyce K. Box, the individual general partner, received Class A (Voting) Common Stock of Box Energy, and the unitholders of the Partnership without voting rights and Associates, the corporate general partner, received Class B (Non-Voting) Common Stock of Box Energy. The Partnership no longer has any assets, liabilities, partners or unitholders, and the Depositary Receipts for Partnership units are no longer of value. Unitholders were distributed one share of such common stock for each unit of the Partnership held of record at the close of trading on April 15, 1992. Box Energy currently has outstanding 3,245,110 shares of Class A (Voting) Common Stock and 17,558,010 shares of Class B (Non-Voting) Common Stock.

Prior to its acquisition of the assets and liabilities of the Partnership on April 15, 1992, Box Energy had no assets, liabilities, employees or shareholders. The Board of Directors of Box Energy has elected Cloyce K. Box as President and Chairman of the Board of Box Energy and ratified the employment of Associate's personnel as employees of the corporation. The rights of holders of both classes of stock are identical except for voting rights. The shares of Class A (Voting) Common Stock and Class B (Non-Voting) Common Stock are traded on the NASDAQ National Market System under the trading symbols of "BOXXA" and "BOXXB", respectively, and the Pacific Stock Exchange under the trading symbols of "BXCA" and "BXCB".

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K were filed for the six months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BOX ENERGY CORPORATION

Date: August 13, 1992

By: (Cloyce K. Box)
Cloyce K. Box
President and Chairman of the Board of Directors

Date: August 13, 1992

By: (Jill M. Killam)
Jill M. Killam
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 1992

Commission file number 0-6216

BRENTON BANKS, INC.

Incorporated in Iowa

I.R.S. Employers Identification No. 42-0658989

Suite 300, Capital Square, 400 Locust, Des Moines, Iowa 50309

Registrant's telephone number, including area code: 515-237-5100

Former name, former address and former fiscal year, if changed since last report: Not applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date, July 31, 1992.

4,814,890 shares of Common Stock, $5.00 par value

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Corporation
St. Petersburg, FL

PART 1 -- Item 1. Financial Statements

Brenton Banks, Inc. and Subsidiaries

Consolidated Statements of Condition

(Unaudited)

	June 30, 1992	December 31, 1991
Assets:		
Cash and due from banks	$ 50,919,675	50,367,190
Interest-bearing deposits with banks	3,879,499	8,929,990
Federal funds sold and securities purchased under agreements to resell	11,100,000	46,500,000
Investment securities (approximate market value of $517,898,000 and $429,228,000 at June 30, 1992 and December 31, 1991, respectively)	509,807,840	419,622,334
Assets held for sale	7,288,267	--
Loans	671,746,713	687,409,970
Allowance for loan losses	(8,822,673)	(8,426,949)
Loans, net	662,924,040	678,983,021
Bank premises and equipment	20,397,068	18,693,321
Accrued interest receivable	13,848,317	14,677,452
Other assets	14,648,033	15,839,501
Total assets	$ 1,294,812,739	1,253,612,809
Liabilities and stockholders' equity:		
Deposits:		
Noninterest-bearing	$ 121,752,095	114,777,219
Interest-bearing:		
NOW	183,874,875	175,901,646
Money market	146,333,054	140,065,303
Savings	106,369,466	96,723,415
Time	578,972,545	587,987,508
Total deposits	1,137,302,035	1,115,455,091
Federal funds purchased and securities sold under agreements to repurchase	41,115,513	23,590,439
Other short-term borrowings	1,557,885	4,173,553
Accrued expenses and other liabilities	11,958,890	12,759,140
Long-term borrowings	14,131,786	13,634,492
Total liabilities	1,206,066,109	1,169,612,715
Minority interest in consolidated subsidiaries	3,845,689	3,715,548
Preferred stock, $1 par; 500,000 shares authorized; issuable in series, none issued	--	--
Common stockholders' equity:		
Common stock, $5 par; 25,000,000 shares authorized; 4,814,090 shares issued at June 30, 1992, and 4,813,890 shares issued at December 31, 1991	24,070,450	24,069,450
Capital surplus	4,953,603	4,952,198
Retained earnings	55,876,888	51,262,898
Total common stockholders' equity	84,900,941	80,284,546
Total liabilities and stockholders' equity	$ 1,294,812,739	1,253,612,809

See accompanying notes to consolidated financial statements.

PART 1 -- Item 1. Financial Statements

Brenton Banks, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	For the 6 months ended June 30, 1992	For the 6 months ended June 30, 1991	For the 3 months ended June 30, 1992	For the 3 months ended June 30, 1991
Interest Income				
Interest and fees on loans	$ 32,966,767	34,747,145	16,212,969	17,504,447
Interest and dividends on investments:				
Taxable	12,958,810	13,301,643	6,439,351	6,689,143
Tax-exempt	3,512,608	3,012,008	1,817,547	1,562,575
Interest on interest-bearing deposits with banks	239,718	791,146	91,381	392,047
Interest on federal funds sold and securities purchased under agreements to resell	314,464	977,487	167,484	454,927
Total interest income	49,992,367	52,829,429	24,728,732	26,603,139
Interest Expense				
Interest on deposits	25,461,236	30,032,913	12,347,395	15,053,707
Interest on federal funds purchased and securities sold under agreements to repurchase	376,087	450,981	202,360	236,140
Interest on other short-term borrowings	91,875	288,142	39,003	143,440
Interest on long-term borrowings	636,654	642,798	300,721	326,541
Total interest expense	26,565,852	31,414,834	12,889,479	15,759,828
Net interest income	23,426,515	21,414,595	11,839,253	10,843,311
Provision for loan losses	657,496	358,158	333,748	184,325
Net interest income after provision for loan losses	22,769,019	21,056,437	11,505,505	10,658,986
Noninterest Income				
Service charges on deposit accounts	2,743,499	2,749,913	1,417,619	1,417,340
Insurance commissions and fees	812,129	703,601	408,632	365,340
Other service charges, collection and exchange charges, commissions and fees	1,865,222	1,397,181	989,216	736,003
Fiduciary income	851,727	747,825	414,265	369,492
Securities gains (losses), net	50,261	--	50,261	--
Other operating income	316,297	373,157	105,175	129,350
Total noninterest income	6,639,135	5,971,677	3,385,168	3,017,525
Noninterest Expense				
Salaries and wages	9,231,335	8,802,494	4,637,204	4,413,381
Employee benefits	1,735,644	1,642,551	777,711	718,892
Occupancy expense of premises, net	1,810,562	1,693,225	892,967	833,332
Furniture and equipment expense	1,132,791	912,847	596,715	457,035
Data processing expense	1,179,330	1,324,794	592,220	668,886
FDIC deposit insurance assessment	1,252,197	993,478	626,087	498,052
Other operating expense	4,780,210	4,216,133	2,463,900	2,149,594
Total noninterest expense	21,122,069	19,585,522	10,586,804	9,739,172
Income before income taxes and minority interest	8,286,085	7,442,592	4,303,869	3,937,339
Income taxes	2,143,091	1,909,588	1,110,508	1,000,015
Income before minority interest	6,142,994	5,533,004	3,193,361	2,937,324
Minority interest	301,437	255,599	157,900	131,705
Net income	$ 5,841,557	5,277,405	3,035,461	2,805,619
Per common share:				
Net income	$ 1.21	1.10	0.63	0.59
Cash dividends	0.255	0.235	0.130	0.120

See accompanying notes to consolidated financial statements.

PART 1 -- Item 1. Financial Statements

Brenton Banks, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	For the 6 months ended June 30,	
	1992	1991
Operating Activities:		
Net income	$ 5,841,557	5,277,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	657,496	358,158
Depreciation and amortization	1,380,410	1,108,718
Gains on sales of assets held for sale	(50,261)	--
Proceeds from sales of assets held for sale	12,517,725	--
Increase in loans held for sale	(1,594,020)	--
Decrease in accrued interest receivable and other assets	1,791,546	75,318
Decrease in accrued expenses, other liabilities and minority interest	(670,109)	(2,510,178)
Net cash provided from operating activities	19,874,344	4,309,421
Investing Activities:		
Acquisition of bank branches	--	(333,500)
Cash and cash equivalents of acquired bank branches	--	16,110,116
Proceeds from maturities of investment securities	124,012,524	62,502,414
Proceeds from sales of investment securities	--	2,517,555
Purchases of investment securities	(232,359,741)	(108,509,706)
Net (increase) decrease in loans	15,401,485	(21,332,547)
Purchases of bank premises and equipment, net	(2,855,100)	(1,874,253)
Net cash used by investing activities	(95,800,832)	(50,919,921)
Financing Activities:		
Net increase in noninterest-bearing, NOW, money market and savings deposits	30,861,907	4,384,148
Net increase (decrease) in time deposits	(9,014,963)	11,054,028
Net increase in federal funds purchased and securities sold under agreements to repurchase	17,525,074	4,626,245
Net decrease in other short-term borrowings	(2,615,668)	(2,306,407)
Net increase in long-term borrowings	497,294	938,199
Dividends on common stock	(1,227,567)	(1,128,115)
Proceeds from issuance of common stock under the stock option plan	2,405	96,837
Net cash provided from financing activities	36,028,482	17,664,935
Net decrease in cash and cash equivalents	(39,898,006)	(28,945,565)
Cash and cash equivalents at the beginning of the year	105,797,180	112,304,774
Cash and cash equivalents at the end of the period	$ 65,899,174	83,359,209

Supplemental Cash Flow Information

(Unaudited)

Interest paid during the period	$ 26,565,852	31,238,843
Income taxes paid during the period	1,724,684	1,949,188
Transfers from investment securities to assets held for sale	18,161,711	--

See accompanying notes to consolidated financial statements.

BRENTON BANKS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

1. Adjustments and Reclassifications

The accompanying financial statements for the interim periods were prepared without audit. In the opinion of management, all adjustments which were necessary for a fair presentation of financial position and results of operations, have been made. These adjustments were of a normal recurring nature.

2. Additional Footnote Information

In reviewing these financial statements, reference should be made to the 1991 Annual Report to Shareholders for more detailed footnote information.

3. Statements of Cash Flows

In the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits with banks and federal funds sold and securities purchased under agreements to resell.

4. Income Taxes

The Company adopted the use of Statement of Financial Accounting Standard No. 96, relating to accounting for income taxes, effective January 1, 1985.

Federal income tax expense for the six months ended June 30, 1992 and 1991, was computed using statutory income tax rates.

For the first six months of 1992 and 1991, the Company also recognized income tax expense pertaining to state franchise taxes payable individually by the subsidiary banks.

5. Common Stock Transactions

During the second quarter of 1992, options on 200 shares of common stock were exercised under the Company's Non-Qualified Stock Option Plan. The exercise price on these options was the fair market value of the Company's common stock at the date of grant. This transaction added $2,405 to the equity of the Company.

6. Income Per Share

Income per common share computations are based on the weighted average number of shares of common stock outstanding during the period. The weighted average number of shares for 1992 and 1991 were 4,813,983 and 4,802,967, respectively.

7. Investment Securities (Significant Accounting Policies and Related Matters)

Investment securities are purchased with the original intent to hold to maturity and events which may be reasonably anticipated are considered when determining the Company's intent to hold to maturity. Securities meeting such criteria when purchased (and/or at reporting dates) are carried at cost, adjusted for amortization of premiums and accretion of discounts. The timing of the amortization and accretion for mortgage-backed securities is adjusted for actual prepayment experience. The Company disposes of securities prior to maturity only in the unforeseen event that circumstances would dictate a sale to meet liquidity needs, or in response to a significant external event beyond its control, such as a significant change in interest rates, financial markets, tax status, or credit strength of the issuer. When the Company anticipates selling selected securities, those securities are transferred to assets held for sale and are carried on the financial statements at the lower of aggregate cost or market value. Net gains or losses on the sale of securities are shown separately in the statements of operation. Gains or losses are computed using the specific security identification method.

8. Assets Held for Sale (Significant Accounting Policies and Related Matters)

Investment securities and loans held with the intent to sell in the foreseeable future are classified as assets held for sale and are carried at the lower of aggregate cost or market value. The resulting unrealized losses are reflected as adjustments to securities losses on the statements of operations.

PART 1 -- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital Resources

Brenton Banks, Inc. and subsidiaries (the "Company) earned record net income during the first half of 1992. These record earnings of $5,841,557 reflected a 10.7% increase over the first half of 1991. These record earnings increased stockholders' equity 5.8% from the end of 1991, to a June 30, 1992 total of $84,900,941.

The Company's strong earnings performance prompted the Board of Directors to increase the dividend paid to common stockholders to $.135 in July, 1992. This dividend was payable July 28, 1992, to shareholders of record on July 16, 1992.

The Company safely exceeds all regulatory capital requirements at June 30, 1992. The Company's risk-based core capital ratio was 11.99% at the end of the second quarter while the total risk-based capital ratio was 13.24%. These exceed the respective 4.00% and 8.00% minimum regulatory guidelines. The Company's tier 1 leverage ratio, which measures capital excluding intangible assets, was 6.41% at June 30, 1992, exceeding the regulator's minimum requirement range of 3.00% to 5.00%.

Brenton Banks, Inc. (the "Parent Company") reduced its short-term debt by $2,550,000 during the first half of 1992. That reduced the Parent Company's debt-to-equity ratio to 15.3% at June 30, 1992, down from 18.6% at the end of 1991. The Parent Company's short-term debt was originally incurred to add capital to Brenton Bank and Trust Company of Cedar Rapids for a major acquisition from the Resolution Trust Corporation (RTC). The Parent Company's long-term borrowings rose $572,000 in the first half of 1992 because of additional sales of the Company's capital notes.

Brenton Banks, Inc. common stock closed the second quarter of 1992 at a bid price of $23.00, compared to book value on the same day of $17.64 per share. One year ago the closing bid price was $17.75 and the book value was $15.75 per share.

Liquidity

The Company monitors and manages its liquidity position. The objective is to maintain sufficient cash flows to fund operations and meet customer obligations and commitments as they arise. Federal funds sold and assets held for sale are readily marketable assets. Maturities of investment securities are managed in order to meet the Company's normal liquidity needs. The Company could dispose of securities prior to maturity in the unforeseen event that circumstances would dictate a sale to meet liquidity needs. Sales of securities under these circumstances are executed only if the sale is consistent with safe and sound banking practices.

Additionally, the Company has a low dependence on volatile liabilities. This combination provides an overall high degree of liquidity for the Company.

The operations of the Company provide another major source of liquidity, with net cash provided from operations of $19,874,344 for the first half of 1992. This profitability trend is expected to continue into the foreseeable future.

The majority of long and short-term borrowing activity relates to the Parent Company. The sale of capital notes by the Parent Company provides a source of long-term borrowings to fund the reduction of short-term indebtedness, to pay current maturities of long-term indebtedness, and for general corporate purposes. Additionally, the Company maintains a borrowing relationship with American National Bank of Chicago. The debt-to-equity level of the Company is low enough to provide additional borrowing capacity should the need or desire arise.

Results of Operations

Acquisitions

Brenton Banks, Inc. continues to pursue its growth goals with plans announced late in 1991 of a proposed merger with Ames Financial Corporation. A definitive agreement for the merger was signed in June and now requires approval of regulatory agencies and Ames Financial Corporation's stockholders. If approved, Ames Financial Corporation and its subsidiary, Ames Savings Bank, FSB, will add approximately $107 million in assets to Brenton's June 30, 1992 asset base of $1.3 billion. Ames Financial Corporation had equity of $6.9 million at June 30, 1992, and earnings for the first six months of 1992 of $488,353.

Ames Financial Corporation is located in Ames, Iowa, the home of Iowa State University which has approximately 25,000 students. The University is the cornerstone of the stable economy of this community of 47,000 people. Ames Financial Corporation is the holding company for Ames Savings Bank, FSB, which has increasing earnings, a stable deposit base, a quality management group, and high quality investment and loan portfolios. The loan portfolio is comprised primarily of local residential real estate loans.

The proposed merger will be accomplished by a stock-for-stock exchange. Brenton Banks, Inc. will not issue fractional shares of common stock. Instead, each holder will receive an amount of cash equal to a fair market value of the fractional shares. This cash requirement for fractional shares as well as that related to dissenters' shares is expected to require a minimal amount of cash that will be covered by additional bank borrowings if necessary.

There are currently no other pending or contemplated acquisitions which would require Brenton Banks, Inc. to secure additional capital from the public or private markets.

The six months ended June 30, 1992, compared to the six months ended June 30, 1991.

Net Income:

For the six months ended June 30, 1992, Brenton Banks, Inc. posted record earnings of $5,841,557, reflecting a 10.7% increase over the first six months of 1991. Net income for the six month period totaled $1.21 per common share compared to $1.10 per common share for the first half of 1991. The annualized return on average assets (ROA) was .97%, which compares to .94% one year ago. The annualized return on average equity (ROE) was 14.19% compared to 14.36% for the same period of 1991.

Net Interest Income:

Growth in net interest income was the most significant factor in Brenton Banks, Inc. record earnings. Compared to the first six months of 1991, net interest income grew 9.4% to $23,426,515 for the first half of 1992. This improvement was generated in part by the 7.4% increase in average interest-earning assets. The net interest margin for the first half of 1992 was 4.21% compared to 4.12% one year ago.

Loan Quality:

Brenton Banks, Inc. maintains excellent asset quality and, therefore, the provision expense for loan losses remained low at $657,496 for the first six months of 1992, compared to $358,158 one year ago. Net charge-offs totaled $261,772 or an annualized 0.08% of average loans. This compares to an average of 0.63% of average loans among a peer group of 33 Midwest banks and bank holding companies, according to the first quarter 1992 *Midwest Regional Banking Review* (the most current information available) issued by Stifel, Nicolaus & Co., Inc.

The Company's nonperforming loans totaled $5,873,000 or 0.87% of loans on June 30, 1992, compared to $6,963,000 or 1.05% of loans one year ago. This compares to the Midwest peer group average of 1.77% of loans at March 31, 1992.

At June 30, 1992, the Company's reserve for loan losses was 1.31% of loans and 150.22% of nonperforming loans, compared to 1.33% of loans and 126.21% of nonperforming loans one year ago. On a comparative basis, the midwest peer group average of reserve for loan losses was 129.2% of nonperforming loans at March 31, 1992.

Net Interest Income and Expense:

For the first half of 1992, noninterest income grew 11.2% to $6,639,135 from $5,971,677 during the same period of 1991. Other charges and fees, a component of noninterest income, rose 33.5% from one year ago to $1,865,222. This increase stems largely from the $474,481 of loan fees associated with recent high levels of home mortgage refinancings on loans sold in the secondary market. Additionally, the Company's emphasis on growth in investment brokerage resulted in the formation of Brenton Brokerage Services, Inc., a licensed broker-dealer, and a 31.9% increase in brokerage commissions.

Noninterest expense increased 7.8% from one year ago due partially to an additional $258,719 in FDIC deposit insurance expense. This increase came as the result of an increase in insurance assessment rates coupled with the Company's deposit growth. Improvements in Brenton's facilities and technology, which is part of the corporate mission to improve customer service and streamline operations, resulted in a $260,141 increase in depreciation expense over last year. Other expense categories increased with the exception of electronic data processing fees which decreased through negotiation of Brenton's contract for data processing services.

Operational Changes:

Brenton Banks, Inc. continues to work toward improvement in the net noninterest margin, a measurement of the Company's operating efficiency. The margin, which is the excess of noninterest expense over noninterest income (excluding securities transactions) as a percent of average assets, was 2.30% for the first half of 1992, compared to 2.31% for the same period of 1991.

To reduce this margin to the Company's 2.00% goal, a variety of strategies have been employed. Currently, Brenton Banks, Inc. is working toward fully implementing some strategies which will result in long-term earnings improvement for the Company. In the short-term, however, the Company's noninterest expense may increase due to one time implementation expenses.

During the first half of the year, the Company experienced some of these anticipated one time costs associated with implementation of computer information retrieval, which reduces paper documents, and centralization of certain bookkeeping and accounting activities. To date, four banks have been converted to Brenton's new centralized service organization, Brenton Bank Services Corporation. The goal is to enhance operating efficiency while allowing bank personnel to focus their efforts on product sales and service. Once the remaining Brenton banks are converted, the additional start-up costs will begin to be offset by long-term reductions in operating costs.

The proof operation has been out-sourced as a function of the centralized operations. While providing cost-savings, this has shifted expenses from salaries and benefits, occupancy expense, and furniture and equipment expense to other operating expense. The out-sourcing cost for the first half of 1992 was $279,274.

Additional one-time expense was also related to the proposed merger of Brenton Banks, Inc. and Ames Financial Corporation. For the first half of 1992, $158,000 of acquisition costs have been added to other operating expenses. These are one-time costs associated with the merger itself. As a result of these actions, Brenton anticipates the acquisition will add to a stronger asset base and earnings performance beyond 1992.

Income Taxes:

The Company's income tax strategies include reducing income taxes by purchasing securities and originating loans which produce tax-exempt income. The goal is to maintain the maximum level of tax-exempt assets which will be beneficial to the Company on both a tax savings and tax-equivalent yield basis. The effective rate of income taxes as a percent of income before income taxes and minority interest was 25.9% for the first half of 1992, and 25.7% for the first half of 1991.

The three months ended June 30, 1992, compared to the three months ended June 30, 1991.

Net income for the second quarter of 1992 was a record $3,035,461 up 8.2% from $2,805,619 for the same quarter of 1991. Earnings per common share totaled $.63 for the second quarter of 1992, compared to $.59 one year ago. The annualized quarterly return on average equity (ROE) was 14.73% while the annualized quarterly return on average assets (ROA) was 1.00%.

The largest component of growth in net income was the $995,942 increase in net interest income for the second quarter compared to one year ago. The rise in net interest income was partially based on the increased volume of average interest-earning assets which rose 7.0% from the second quarter of 1991. The net interest margin was 4.22% for the second quarter of 1992.

Brenton Banks, Inc. continues to maintain a quality loan portfolio. The strength of the portfolio has allowed the Company to retain a strong allowance for loan losses while keeping the provision for loan loss expense low. The provision expense for the second quarter of 1992 totaled $333,748 compared to $184,325 one year ago. Please refer to the six month discussion for an analysis of the level of the reserve for loan losses and nonperforming loans.

As previously discussed, the Company is focusing on a ratio known as the net noninterest margin which is an overall measurement of operating efficiency. Management has set an aggressive goal to improve this margin to 2.00%. The annualized net noninterest margin based on the second quarter 1992 results was 2.28%.

A 10.5% increase in noninterest income (excluding securities transactions) contributed to the overall improvement of net noninterest margin for the second quarter. Other service charges and fees were the predominant component of this increase. As noted in the six months results, this increase stems largely from the $226,399 of loan fees in the second quarter associated with the recent high levels of home mortgage refinancings on loans sold in the secondary market. Additionally, investment brokerage commissions rose $62,317, to a total of $347,901 for the quarter.

Brenton's intent and practice is to purchase investment securities with the original intent to hold them until their maturity. Brenton disposes of securities prior to maturity only in response to a significant external event beyond its control, such as a significant change in interest rates. Because of the current low level of interest rates, management determined it was in the best interest of the Company to sell selected short-term, low rate securities. The sales of these securities resulted in a modest gain of $50,261 for the quarter. Sales of such securities under these circumstances are executed only when the sale is consistent with safe and sound banking practices.

Noninterest expense for the second quarter rose 8.7% from the same quarter one year ago. As in the six months results, this increase was due partially to an additional $128,035 in the FDIC deposit insurance expense. As previously mentioned, depreciation also added to the increased expense because of improvements in Brenton's facilities and technology.

Looking Ahead

Brenton Banks, Inc. actions are guided by the mission of being Iowa's premier banking organization in service to customers and value to shareholders. The management of Brenton Banks, Inc. is pleased to have achieved record earnings during a quarter when the Company also incurred additional expense associated with growth and efficiency strategies.

Streamlining operational functions and the proposed merger of Ames Financial Corporation will continue to cause added expense throughout 1992. However, management is confident that these actions will further enhance Brenton's ability to increase value to shareholders.

PART 2 -- Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K -- There were no reports on Form 8-K filed for the three months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BRENTON BANKS, INC.
(Registrant)

August 13, 1992
Dated

J. C. Brenton, President

August 13, 1992
Dated

Steven T. Schuler

Steven T. Schuler
Chief Financial Officer and
Vice President/Treasurer/Secretary

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 1992 Commission file number 0-17535

BYTEX CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-2715342** (I.R.S. Employer Identification No.)
4 Technology Drive, Westborough, Massachusetts (Address of principal executive offices)	**01581-1760** (Zip Code)

Registrant's telephone number, including area code: (508) 366-8000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No __.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock. As of August 3, 1992: 6,298,385.

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BYTEX CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

BYTEX CORPORATION

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Net Sales:				
Product	$ 9,462	$10,002	$18,558	$19,727
Services	1,936	1,703	3,697	3,367
	11,398	11,705	22,255	23,094
Cost of goods sold:				
Product	4,166	3,823	8,070	7,033
Services	929	893	1,827	1,835
	5,095	4,716	9,897	8,868
Gross margin	6,303	6,989	12,358	14,226
Operating expenses:				
Research and development	1,671	1,901	3,364	4,164
Selling, general and administrative	4,629	4,192	8,981	7,987
	6,300	6,093	12,345	12,151
Income from operations	3	896	13	2,075
Other income	138	315	354	702
Income before income taxes	141	1,211	367	2,777
Provision for income taxes	45	436	126	1,000
Net income	$ 96	$ 775	$ 241	$ 1,777
Net income per share	$ .02	$ .12	$ .04	$ .28
Weighted average number of shares of common stock and common stock equivalents	6,319	6,520	6,392	6,425

See accompanying notes

BYTEX CORPORATION

CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share amounts)

	June 30, 1992 (Unaudited)	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,849	$ 2,558
Cash investments	13,363	15,215
Accounts receivable, net	12,842	11,074
Inventories:		
Raw materials	2,869	3,132
Work-in-process	920	458
Finished goods	4,704	3,252
	8,493	6,842
Prepaid expenses	534	566
Total current assets	37,081	36,255
Property and equipment, net	6,034	5,743
Other assets	1,616	1,355
	$44,731	$43,353

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1992 (Unaudited)	December 31, 1991
Current liabilities:		
Accounts payable	$ 3,390	$ 1,817
Other current liabilities	4,133	4,639
Total current liabilities	7,523	6,456
Stockholders' equity:		
Common stock, $.10 par value; 20,000,000 shares authorized, 6,298,385 and 6,274,022 shares issued and outstanding	630	627
Other stockholders' equity	36,578	36,270
Total stockholders' equity	37,208	36,897
	$44,731	$43,353

See accompanying notes

BYTEX CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	1992	1991
Cash flows from operating activities:		
Net income	$ 241	$ 1,777
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,504	910
Changes in current assets and current liabilities:		
Accounts receivable	<1,776>	263
Inventories	<1,648>	<2,146>
Prepaid expenses	38	<171>
Other assets	<433>	<345>
Accounts payable	1,556	1,061
Other current liabilities	<524>	100
Total adjustments	<1,283>	<328>
Net cash (used for) provided by operating activities	<1,042>	1,449
Cash flows from investing activities:		
Purchase of property and equipment	<1,614>	<1,542>
Cash invested	1,852	<2,064>
Net cash provided by(used for) investing activities	238	<3,606>
Cash flows from financing activities:		
Proceeds from sale of common stock	107	613
Principal payments on capital lease obligations	-	<60>
Tax benefit from non-qualified stock options	17	-
Net cash provided by financing activities	124	553
Effect of exchange rate changes on cash	<29>	<38>
Net increase (decrease) in cash and cash equivalents	<709>	<1,642>
Cash and cash equivalents at beginning of period	2,558	5,612
Cash and cash equivalents at end of period	$1,849	$3,970

BYTEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1992 and 1991

(Unaudited)

1. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. The information herein should be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K (Commission File No. 0-17535), for the year ended December 31, 1991. It is management's opinion that the accompanying statements reflect all adjustments necessary for a fair presentation of the results for this interim period and the comparable periods presented.

2. Primary earnings per share is based on the weighted average number of shares of common stock and common stock equivalents (stock options) outstanding. Fully diluted earnings per share has not been separately presented as the amount would not differ significantly from primary earnings per share.

3. The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, $.10 par value per share, and 4,000,000 shares of Convertible Preferred Stock, $.10 par value per share. There is no Convertible Preferred Stock outstanding.

BYTEX CORPORATION

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net Sales

Net sales for the three month and six month periods ended June 30, 1992 were $11,398,000 and $22,255,000, a decrease of 2.6% and 3.6%, respectively, from each of the comparable periods in the prior year when net sales were $11,705,000 and $23,094,000 respectively. Domestic product sales decreased to $7,753,000 and $14,510,000 for the second quarter and first half ended June 30, 1992 from $8,259,000 and $15,562,000 in the comparable periods of the prior year, decreases of 6.1% and 6.8% respectively. The Company continued to earn lower revenues on its wide area networking product line and greater revenues on its local area networking products which became commercially available in the third quarter of 1991. Total international product sales remained nearly level at $1,709,000 and $4,048,000 or 15.0% and 18.2% of net sales for the three and six months ended June 30, 1992 from $1,743,000 and $4,165,000 or 14.9% and 18.0% of net sales in the comparable periods of the prior year.

Service revenues increased to $1,936,000 or 17.0% and $3,697,000 or 16.6% of net sales in the second quarter and first half of 1992, compared with $1,703,000 or 14.5% and $3,367,000 or 14.6% of net sales in the comparable periods of 1991. The increase in service revenues resulted primarily from additional contracts due on the Company's larger installed base.

Gross Margin

Gross margin decreased as a percentage of net sales to 55.3% and 55.5% for the three and six month periods ended June 30, 1992 compared to 59.7% and 61.6% in the corresponding periods of 1991. The decrease in current year margins was due principally to lower sales volume in the Company's wide area networking product line and an increasing percentage of sales in the local area networking product line with an attendant lower gross margin.

Research and Development

Research and development decreased as a percentage of net sales to 14.7% and 15.1% for the three and six month periods ended June 30, 1992 from 16.2% and 18.0% in the same periods of the prior year. The decrease in the current year reflects the completion and release of new products during the second half of 1991 and a corresponding decrease in outside services related to completed projects.

Selling, General and Administrative

Selling, general and administrative expenses increased to $4,629,000 or 40.6% and $8,981,000 or 40.4% of net sales in the second quarter and first half ended June 30, 1992 compared with $4,192,000 or 35.8% and $7,987,000 or 34.6% of net sales in the same periods of 1991. The increase was due to increased staffing levels in the sales and marketing organizations, which have not yet resulted in additional sales to the Company, and the establishment of a wholly owned subsidiary in Germany that serves as headquarters for the Company's European operations.

Other Income

Other income was $138,000 in the second quarter of 1992 compared to $315,000 in the second quarter of 1991. The decrease was due to the impact of lower interest rates on a lower invested cash balance.

Income Taxes

The tax rates in effect for the second quarter and first half of 1992 were 31.9% and 34.3% respectively down from 36.0% in the corresponding periods of the prior year. The decrease in the tax rates is due to the decrease in revenues and the mix of earnings between the Company's subsidiaries. The Company is currently analyzing the impact of Statement of Financial Accounting Standard No. 109, "Accounting For Income Taxes" (FAS 109). Management believes that application of this standard will not have a material impact on the Company's financial position or results of operations.

Liquidity and Capital Resources

Working capital was $29,558,000 at June 30, 1992 compared to $29,799,000 at December 31, 1991. During the first half of 1992 cash used for operations was $1,042,000 while cash provided from investing and financing activities was $238,000 and $124,000 respectively. Increases in accounts receivable and inventory of $1,776,000 and $1,648,000 offset by an increase in accounts payable of $1,556,000 were the primary factors resulting in the use of cash for operations.

As of June 30, 1992 the Company's principal sources of liquidity include $15,212,000 of cash and short-term investments. The Company also has two unsecured lines of credit available aggregating $5,500,000. Currently the Company has no borrowings outstanding under its lines of credit.

The Company anticipates capital expenditures for its 1992 fiscal year will approximate $2,400,000 principally for test equipment, computer equipment and software. Capital expenditures totaled $1,614,000 in the six months ended June 30, 1992.

The Company believes that existing cash balances, cash generated from operations, and the available lines of credit will be sufficient to meet its working capital requirements in the foreseeable future.

BYTEX CORPORATION

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

On May 29, 1992 Bytex held its annual meeting of stockholders. At this meeting the stockholders considered and voted upon the following matters:

(1) The following persons were elected as directors of the Company:

Arthur Carr
Paul J. Ferri
Steven G. Finn
Norman E. Gaut
Gary E. Haroian
August P. Klein

(2) A proposal to approve the amendment to the Company's 1981 Restricted Stock and Stock Option Plan to increase the aggregate number of shares that may be issued thereunder from 1,975,000 to 2,175,000 was approved with 4,197,602 affirmative votes and 1,224,895 negative votes cast.

(3) A proposal to approve the adoption of an amendment to the Company's Director Stock Option Plan to provide for 1,000 shares to be awarded annually to each director was approved with 4,947,394 affirmative votes and 464,935 negative votes cast.

Item 6. Exhibits and Reports on Form 8-K

(a) No Exhibits are being filed herewith.

(b) There were no reports on Form 8-K filed during the quarter ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BYTEX CORPORATION
(Registrant)

Date: August 12, 1992

By /s/ Cynthia M. Deysher
Cynthia M. Deysher
Corporate Vice President Finance
and Administration; Treasurer and
Chief Financial Officer

(Principal Financial Officer
and Duly Authorized Officer)

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Q. 33591

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92-2257 1d [illegible]

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Microfilmed
By
Q-Data
Corporation
St. Petersburg, FL

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 0-7269

Comerica Incorporated
(Exact name of registrant as specified in its charter)

Delaware	38-1998421
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Renaissance Center
Suite 3800
Detroit, Michigan
48243
(Address of principal executive offices)
(Zip Code)

(313) 222-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

$5 par value common stock:
outstanding as of July 31, 1992: 56,903,000 shares

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

Comerica Incorporated and Subsidiaries
(in thousands, except share data)

		June 30 1992	Dec. 31 1991	June 30 1991
Assets	Cash and due from banks	$ 1,453,866	$ 1,449,467	$ 1,268,103
	Interest-bearing deposits with banks	1,005,413	1,429,728	1,363,082
	Federal funds sold and securities purchased under agreements to resell	1,512,306	1,923,714	913,909
	Trading account securities	13,729	14,254	94,038
	Mortgages held for sale	173,954	159,597	128,496
	U.S. Government and agency securities	3,079,197	3,222,948	3,323,580
	State and municipal securities	796,626	878,784	882,863
	Other securities	723,497	1,172,836	1,157,327
	Total securities (market value of $4,784,000 at 6/30/92, $5,319,000 at 12/31/91, and $5,300,000 at 6/30/91)	4,599,320	5,274,568	5,363,770
	Commercial loans	7,681,974	7,407,270	7,114,275
	International loans	789,675	549,072	476,674
	Real estate construction loans	473,798	520,535	540,791
	Commercial mortgage loans	2,233,866	2,228,413	2,138,430
	Residential mortgage loans	2,305,496	2,421,219	2,422,437
	Consumer loans	3,555,307	3,582,412	3,392,690
	Lease financing	190,129	199,992	169,032
	Total loans	17,230,245	16,908,813	16,254,329
	Less allowance for loan losses	(229,053)	(266,536)	(259,525)
	Net loans	17,001,192	16,642,277	15,994,804
	Premises and equipment	346,082	359,307	351,445
	Customers' liability on acceptances outstanding	34,800	26,541	20,101
	Accrued interest income and other assets	614,055	715,458	750,349
	Total assets	$26,754,717	$27,994,991	$26,330,097
Liabilities	Demand deposits (noninterest-bearing)	$ 3,770,147	$ 3,644,431	$ 3,652,315
	Interest-bearing deposits	15,180,006	15,428,127	15,437,223
	Deposits in foreign offices	1,692,940	1,222,264	1,276,940
	Total deposits	20,643,093	20,294,822	20,366,478
	Federal funds purchased and securities sold under agreements to repurchase	780,577	1,800,529	673,575
	Other borrowed funds	2,734,065	3,333,339	2,774,638
	Acceptances outstanding	34,800	26,541	20,101
	Accrued expenses and other liabilities	363,334	353,529	387,029
	Long-term debt	297,414	301,224	321,644
	Total liabilities	24,853,363	26,110,004	24,563,965
Shareholders' Equity	Nonredeemable preferred stock - $50 stated value: Authorized - 10,000,000 shares Issued and outstanding - 835,688 shares	37,605	37,605	37,605
	Common stock - $5 par value: Authorized - 250,000,000 shares Issued - 56,883,223 shares at 6/30/92, 56,550,738 shares at 12/31/91 and 43,712,323 shares at 6/30/91	284,416	282,754	218,362
	Capital surplus	497,946	490,099	371,991
	Retained earnings	1,081,387	1,075,858	1,140,757
	Less cost of common stock in treasury - 47,341 shares at 12/31/91 and 52,307 shares at 6/30/91	—	(1,329)	(2,783)
	Total shareholders' equity	1,901,354	1,884,987	1,766,132
	Total liabilities and shareholders' equity	$26,754,717	$27,994,991	$26,330,097

CONSOLIDATED STATEMENT OF INCOME

Comerica Incorporated and Subsidiaries
(in thousands, except per share data)

		Three Months Ended June 30		Year to Date June 30	
		1992	1991	1992	1991
Interest Income	Interest and fees on loans	$361,481	$398,734	$728,693	$809,007
	Interest on investment securities:				
	Taxable	80,186	104,507	171,706	211,801
	Exempt from federal income taxes	14,110	15,423	28,521	31,144
	Total interest on investment securities	94,296	119,930	200,227	242,945
	Trading account interest	434	1,159	1,191	1,921
	Interest on federal funds sold and securities purchased under agreements to resell	4,313	4,482	7,604	9,455
	Interest on time deposits with banks	11,670	20,940	26,433	51,777
	Interest on mortgages held for sale	4,318	2,339	7,543	3,713
	Total interest income	476,512	547,584	971,691	1,118,818
Interest Expense	Interest on deposits	182,362	252,114	378,118	518,984
	Interest on short-term borrowings:				
	Federal funds borrowed and securities sold under agreements to repurchase	12,759	20,183	28,880	44,442
	Other borrowed funds	11,317	19,723	26,522	46,729
	Interest on long-term debt	5,901	6,803	11,881	14,222
	Net interest rate swap (income)	(7,023)	(3,461)	(13,966)	(5,530)
	Total interest expense	205,316	295,362	431,435	618,847
	Net interest income	271,196	252,222	540,256	499,971
	Provision for loan losses	30,703	25,506	60,350	48,858
	Net interest income after provision for loan losses	240,493	226,716	479,906	451,113
Noninterest Income	Income from fiduciary activities	28,235	28,067	56,761	54,997
	Service charges on deposit accounts	26,400	24,709	53,523	47,963
	Customhouse broker fees	9,277	8,919	18,390	17,140
	Revolving credit fees	8,140	7,809	16,100	14,765
	Securities gains	192	105	1,557	570
	Other noninterest income	26,015	22,486	51,748	43,264
	Total noninterest income	98,259	92,095	198,079	178,699
Noninterest Expense	Salaries and employee benefits	123,227	120,950	249,750	239,166
	Net occupancy expense	19,757	20,009	40,352	39,782
	Equipment expense	14,146	13,351	28,134	26,634
	FDIC insurance expense	10,626	9,573	21,252	19,155
	Restructuring charge	128,000	—	128,000	—
	Other noninterest expense	64,650	62,305	127,060	125,562
	Total noninterest expense	360,406	226,188	594,548	450,299
	Income (loss) before income taxes	(21,654)	92,623	83,437	179,513
	Provision for income taxes (credit)	(6,270)	25,083	24,473	48,994
	Net income (loss)	$ (15,384)	$ 67,540	$ 58,964	$130,519
	Net income (loss) applicable to common stock	$ (16,287)	$ 66,637	$ 57,157	$128,712
Earnings Per Common Share	Net income (Loss):				
	Primary	$(.28)	$1.22	$.99	$2.39
	Fully diluted	$(.28)	$1.22	$.99	$2.37
	Primary average shares	57,507	54,399	57,743	53,916
	Cash dividends declared	$26,688	$22,285	$51,728	$43,381
	Dividends per share	$.47	$.47	$.94	$.90

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Six Months Ended June 30 (dollars in thousands)
Comerica Incorporated and Subsidiaries

	Nonredeemable Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at January 1, 1991	$37,605	$ 92,885	$169,571	$ 340,175	$ —	$ 640,236
Balance of Manufacturers at January 1, 1991	—	155,685	73,492	515,469	(7,536)	737,110
Pooling of interests adjustment	—	(92,633)	92,633	—	—	—
Balance at January 1, 1991, as restated	37,605	155,937	335,696	855,644	(7,536)	1,377,346
Net income for 1991	—	—	—	130,519	—	130,519
Cash dividends declared:						
Preferred stock	—	—	—	(1,807)	—	(1,807)
Common stock	—	—	—	(43,381)	—	(43,381)
Issuance of 2,760,000 shares of common stock	—	13,800	93,763	—	—	107,563
Issuance of common stock under employee and security holder stock plans and for conversion of debentures	—	1,684	9,074	(218)	4,753	15,293
Three-for-two stock split	—	47,151	(47,151)	—	—	—
Amortization of deferred compensation	—	—	696	—	—	696
Other	—	(10)	(87)	—	—	(97)
Balance at June 30, 1991	$37,605	$218,562	$391,991	$ 940,757	$(2,783)	$1,586,132
Balance at January 1, 1992	$37,605	$282,754	$490,099	$1,075,858	$(1,329)	$1,884,987
Net income for 1992	—	—	—	58,964	—	58,964
Cash dividends declared:						
Preferred stock	—	—	—	(1,807)	—	(1,807)
Common stock	—	—	—	(51,728)	—	(51,728)
Issuance of common stock under employee stock plans and for conversion of debentures	—	1,673	7,018	—	1,329	10,020
Amortization of deferred compensation	—	—	851	—	—	851
Other	—	(11)	(122)	—	—	(133)
Balance at June 30, 1992	$37,605	$284,416	$497,846	$1,081,287	$ —	$1,901,154

CONSOLIDATED STATEMENT OF CASH FLOWS

Comerica Incorporated and Subsidiaries
(in thousands)

	Six Months Ended June 30	
	1992	1991
Operating Activities		
Net income	$ 58,964	$ 130,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	60,350	48,858
Depreciation	25,391	24,257
Restructuring charge	107,954	—
Net (increase) decrease in trading account securities	555	(24,080)
Net increase in mortgages held for sale	(14,357)	(47,211)
Net (increase) decrease in accrued income receivable	(6,649)	27,860
Net decrease in accrued expenses	(76,662)	(99,976)
Net amortization of the excess of cost over book value acquired	9,797	9,834
Other, net	77,729	(150,809)
Total adjustments	184,108	(211,267)
Net cash provided by (used in) operating activities	243,072	(80,748)
Investing Activities		
Net decrease in interest-bearing deposits with banks	424,316	250,193
Net (increase) decrease in federal funds sold and other short term investments	610,808	(830,469)
Proceeds from sale of securities	40,453	101,677
Proceeds from maturity of securities	1,312,156	592,318
Purchases of securities	(900,149)	(432,923)
Net increase in loans (other than purchased loans)	(377,313)	(27,732)
Purchase of loans	(44,867)	—
Fixed assets, net	13,225	(13,082)
Net (increase) decrease in customers' liability on acceptances outstanding	(8,259)	14,109
Net cash used in acquisition/sale	—	(19,591)
Net cash provided by (used in) investing activities	1,070,370	(365,500)
Financing Activities		
Net increase in deposits	348,271	448,623
Net decrease in short-term borrowings	(1,618,966)	(145,922)
Net increase (decrease) in acceptances outstanding	8,259	(14,109)
Repayments and purchases of subordinated and other notes	(3,810)	(4,426)
Proceeds from issuance of common stock and other capital transactions	10,738	123,455
Dividends paid	(53,535)	(45,188)
Net cash provided by (used in) financing activities	(1,309,043)	362,433
Net increase (decrease) in cash and due from banks	4,399	(83,815)
Cash and due from banks at beginning of year	1,449,467	1,451,918
Cash and due from banks at end of period	$ 1,453,866	$ 1,368,103
Interest paid	$ 472,237	$ 699,925
Income taxes paid	$ 63,095	$ 63,309

Notes to Consolidated Financial Statements
Comerica Incorporated and Subsidiaries

Note 1 - Basis of Presentation

The accompanying unaudited financial statements have been prepared by the registrant in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments of a normal recurring nature, with the exception of the restructuring charge, have been made which are necessary for the fair presentation of the statement of financial position and results of operations for the periods presented. The results for the three months ended June 30, 1992 may not necessarily be indicative of the results for the full year.

The historical financial statements have been restated to include the financial information of Manufacturers National Corporation, which merged into Comerica on June 18, 1992 in a transaction accounted for as a pooling of interests. The merger was accomplished by exchanging .81 share of Comerica common stock for each share of Manufacturers common stock in a tax-free exchange.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", was adopted in the second quarter of 1992, with no material impact on the financial statements.

Note 2 - Investment Securities

At June 30, 1992 investment securities having a carrying value of $2,728,000,000 were pledged where permitted or required by law to secure liabilities and public and other deposits including deposits of the State of Michigan of $11,000,000.

Notes to Consolidated Financial Statements
Comerica Incorporated and Subsidiaries

Note 3 - Nonperforming Assets

The table below summarizes nonperforming assets, and loans which are contractually past due 90 days or more as to interest or principal payments. Nonperforming assets consist of nonaccrual loans, reduced-rate loans, and other real estate. Nonaccrual loans are those on which interest is recognized only upon receipt. Reduced-rate loans are those on which interest has been renegotiated to lower than market rates because of the weakened financial condition of the borrowers. Nonaccrual and restructured loans are included in loans on the consolidated balance sheet.

(in thousands)	June 30, 1992	Dec. 31, 1991
Nonaccrual loans		
Commercial loans	$ 96,200	$ 89,501
International loans	262	262
Real estate construction loans	49,635	56,923
Real estate loans	77,484	55,033
Total	223,581	201,719
Reduced-rate loans	322	251
Total nonperforming loans	223,903	201,970
Other real estate	29,461	36,237
Total nonperforming assets	$ 253,364	$ 238,207
Loans past due 90 days	$ 59,318	$ 53,600

Note 4 - Allowance for Loan Losses

An analysis of changes in the allowance for loan losses included in the consolidated balance sheets as follows:

	1992	1991
Balance at January 1	$ 266,536	$ 251,064
Allowance Acquired	846	4,407
Loans charged off	59,458	57,859
Recoveries on loans previously charged off	8,779	13,055
Net loans charged off	50,679	44,804
Provision for loan losses	60,350	48,858
Balance at June 30	$ 277,053	$ 259,525

Note 5 - Long-term Debt

Long-term debt consisted of the following at June 30, 1992 and December 31, 1991:

	June 30, 1992	December 31, 1991
9% subordinated convertible debentures due November, 1992	$ 335	$ 361
10% subordinated convertible debentures due September, 1993 to September, 2000	2,285	2,738
Floating rate equity commitment notes due June, 1997	62,500	62,500
9 3/4% equity commitment notes due May, 1999	75,000	75,000
10 1/8% subordinated debentures due June, 1998	75,000	75,000
12.5% notes payable due July, 1992 to July, 1993	3,244	2,898
FDIC subordinated note of subsidiary due December, 1992 to December, 1995	17,719	17,808
Floating rate subordinated notes due 1996	50,000	53,000
Floating rate subordinated notes due 2004	3,120	3,120
Notes payable of subsidiaries bearing interest at rates ranging from 5.45% to 13% and maturing on dates ranging from 1992 through 2000	8,211	8,799
Total Comerica Incorporated	$ 297,414	$ 301,224

Note 6 - Income Taxes

The provision for income taxes is computed by applying statutory federal income tax rates to income before income taxes as reported in the financial statements after deducting non-taxable items, principally interest income on state and municipal securities and nondeductable items in the restructuring charge. In the second quarter of 1992 Comerica adapted, SFAS 109, "Accounting for Income Taxes", the impact of which was immaterial.

Note 7 - Restructuring Charge

In connection with the June 18, 1992 merger with Manufacturers National Corporation, a restructuring charge of $92 million ($1.59 per share) was recorded to accrue for the reduction of 1,800 positions in the combined entities; properties and equipment costs associated with writing off duplicative facilities and computer systems; and advisory fees.

ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

On June 18, 1992, Comerica Incorporated merged with Manufacturers National Corporation in a transaction accounted for as a pooling of interests. The transaction was accomplished by exchanging each share of Manufacturers common stock for .81 share of Comerica common stock on a tax-free basis. All historical financial information have been restated to reflect the merger. In connection with the merger, Comerica recorded a restructuring charge of $92 million ($1.59 per share) to accrue for the reduction of 1,800 positions in the combined entities; properties and equipment costs associated with writing off duplicated facilities and computer systems; and advisory fees.

Fully diluted earnings per share were $.99 for the six months ended June 30, 1992. Excluding the impact of the restructuring charge, fully diluted earnings per share would have been $2.58 in 1992 compared to $2.37 in 1991. A loss per share of $.28 for the second quarter of 1992 (earnings of $1.30 excluding the restructuring charge) compared to fully diluted earnings per share of $1.22 in the second quarter of 1991.

Net Interest Income

Net interest income for the second quarter of 1992 increased by $17.4 million or 6.6 percent on a fully taxable equivalent basis over the second quarter of 1991. As shown below, net interest income growth was attributable to a net interest margin increase to 4.72 percent in the second quarter of 1992 from 4.56 percent in the second quarter 1991, and average earning assets growth of 2.7 percent.

	Effect on Net Interest Income (FTE) (in millions)
Increase in net interest margin	$ 10
Increase in average earning assets	7
	$ 17

Within total average earning assets, loans replaced lower yielding short-term assets, which changed the mix of earning assets and contributed to the higher margin. The margin also benefited from a declining rate environment and a larger contribution of non-interest bearing sources of funds, partly due to a common stock offering in June, 1991.

Provision for Loan Losses

The provision for loan losses was $30.7 million in the second quarter of 1992 versus $25.5 million in the second quarter of 1991. The provision is predicated upon maintaining an adequate allowance for loan losses. The allowance for loan losses is discussed under the section entitled "Financial Condition."

Noninterest Income

Noninterest income for the quarter ended June 30, 1992, increased 6.7 percent from the same period in 1991. Increased activity in the mortgage banking business and fees for loan commitments and stand-by guarantees caused the improvement in other noninterest income.

Noninterest Expenses

Included in noninterest expenses is a $128 million restructuring charge and a $2.5 million write-down in anticipation of selling certain leasing assets which no longer meet the corporation's profitability goals. Excluding these two charges, total noninterest expenses increased 1.6 percent in the second quarter of 1992 over the same period in 1991. Expense growth was low due to on-going cost containment programs and preliminary merger savings from staff reductions.

Provision for Income Taxes

Excluding the $36 million tax effect of the restructuring charge, the provision for income taxes increased at approximately the same rate as income before income taxes. The provision for income taxes differs from taxes calculated at the statutory rate, principally from tax-exempt interest income on state and municipal securities and nondeductible items in the restructuring charge. Comerica adopted SFAS 109, "Accounting for Income Taxes", in the second quarter of 1992, the impact of which was immaterial.

Financial Condition

The decline in federal funds sold and other investment securities was offset by declines in federal funds purchased and other borrowed funds as opportunities to earn small spreads on these positions dissipated. U.S. Government and agency securities declined from payments on mortgage-backed securities, which have accelerated with declines in market rates and mortgage loan refinancings.

The increase of $369 million in loans since December 31, 1991 was concentrated in international loans which contained no LDC transfer risk.

The allowance for loan losses at June 30, 1992 was $277.1 million, an increase of $10.5 million since December 31, 1991. As a percent of total loans, the allowance was 1.60 percent at June 30, 1992 the same as December 31, 1991. Net charge-offs were $24.8 million for second quarter of 1992, and $25.6 million for the comparable 1991 period. An analysis of the allowance for loan losses is contained in the notes to the consolidated financial statements.

Nonperforming assets did not change significantly from December 31, 1991 and were categorized as follows:

Nonperforming assets	June 30, 1992	December 31, 1991
	(In millions of dollars)	
Nonaccrual loans:		
Commercial	$ 96.2	$ 89.5
International	.3	.3
Real estate construction	49.6	56.9
Real estate loans	77.5	55.0
Total nonaccrual loans	223.6	201.7
Reduced-rate loans - commercial	.3	.3
Total non-performing loans	223.9	202.0
Other real estate	29.5	36.2
Total non-performing assets	$ 253.4	$ 238.2
As a percent of total loans	1.46%	1.41%

Capital

Shareholders equity declined in the second quarter of 1992 due to the $92 million after-tax restructuring charge, however approximately $5 million of capital was generated by common stock issued under employee and shareholder plans, principally from exercises of stock options.

Capital ratios continue to comfortably exceed regulatory minimums and were as follows:

	June 30, 1992	December 31, 1991
Minimum leverage ratio (3.00 - minimum)	6.90%	6.61%
Tier 1 risk-based capital (4.0 - minimum)	8.44	8.13
Total risk-based capital (8.0 - minimum)	10.88	10.69

PART II

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11. Statements re: computation of earnings per share

(b) Reports on Form 8-K

Report dated June 18, 1992 - Merger with Manufacturers National Corporation

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMERICA, INCORPORATED
(Registrant)

Paul H. Martzowka

Paul H. Martzowka
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Arthur W. Hermann
Senior Vice President & Controller
(Principal Accounting Officer)

Date: August 13, 1992

EXHIBIT 11 – COMPUTATION OF EARNINGS PER SHARE

COMERICA INCORPORATED AND SUBSIDIARIES

	Three Months Ended June 30		Six Months Ended June 30	
	1992	1991	1992	1991
Primary:				
Average shares outstanding	56,806,000	53,715,000	56,704,000	53,376,000
Common stock equivalent:				
Net effect of the assumed exercise of stock options	1,001,000	684,000	1,039,000	540,000
Primary average shares	57,807,000	54,399,000	57,743,000	53,916,000
Net income (loss)	($15,384,000)	$67,540,000	$58,964,000	$130,519,000
Less preferred stock dividends	903,000	903,000	1,807,000	1,807,000
Income (loss) applicable to common stock	($16,287,000)	$66,637,000	$57,157,000	$128,712,000
Primary net income (loss) per share	($0.28)	$1.22	$0.99	$2.39
Fully diluted:				
Average shares outstanding	56,806,000	53,715,000	56,704,000	53,376,000
Common stock equivalents:				
Net effect of the assumed exercise of stock options	1,008,000	711,000	1,057,000	685,000
Average shares reserved for conversion of convertible debt	394,000	467,000	398,000	477,000
Fully diluted average shares	58,208,000	54,893,000	58,159,000	54,538,000
Net income (loss)	($15,384,000)	$67,540,000	$58,964,000	$130,519,000
Less preferred stock dividends	903,000	903,000	1,807,000	1,807,000
Income (loss) applicable to common stock	(16,287,000)	66,637,000	57,157,000	128,712,000
Interest on convertible debt less related income tax effect	92,000	115,000	187,000	271,000
Net income (loss) applicable to common stock excluding above interest (net of income tax effect)	($16,195,000)	$66,752,000	$57,344,000	$128,983,000
Fully diluted net income (loss) per share	($0.28)	$1.22	$0.99	$2.37

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED
JUNE 30, 1992 COMMISSION FILE NO: 0-

ELMWOOD BANCORP, INC.
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-2682493
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

112 Chesley Drive, Media, Pennsylvania 19063
(Address of principal executive offices; zip code)

(215) 565-8200
(Registrant's telephone number, including area code)

Indicate by checkmark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for at least 90 days.

YES X NO ____

Number of shares of Common Stock, $.01 par value, outstanding at the close of business on August 1, 1992: 1,459,125

4

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ELMWOOD BANCORP, INC. and SUBSIDIARIES

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B

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
ASSETS		
Cash and amounts due from depository institutions	$ 2,298	$ 1,798
Interest-bearing deposits	19,082	14,579
Federal funds sold	125	125
Cash and cash-equivalents	21,505	16,502
Investment securities (approximate market value-1992, $2,210; 1991, $3,173) (Note 4)	2,204	3,173
Loans receivable - net (Note 5)	166,896	167,471
Mortgage-backed securities (approximate market value - 1992, $40,826; 1991, $31,211 (Note 6)	40,314	30,242
Federal Home Loan Bank stock-at cost	1,977	1,977
Office properties and equipment, net	1,927	1,985
Real estate acquired through foreclosure	752	493
Investments in and advances to joint ventures	988	1,094
Excess cost over fair value of assets acquired (goodwill)	1,531	1,582
Accrued interest receivable on:		
Loans	1,081	1,077
Mortgage-backed securities	398	303
Investments	70	108
Prepaid and other assets	532	807
Total Assets	$240,175	$226,814
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (Note 7)	$215,137	$202,345
Other borrowed money (Note 8)	177	183
Advances by borrowers for taxes and insurance	1,693	1,066
Other liabilities	1,112	1,585
Total liabilities	218,119	205,179
Commitments (Note 9)		
Stockholders' Equity: (Notes 11 and 12)		
Preferred stock: 10,000,000 shares authorized; none issued		
Common stock: 15,000,000 shares authorized $.01 par value per share;1,459,125 issued and outstanding	15	1,459
Additional paid-in capital	11,064	9,620
Retained earnings-substantially restricted	10,977	10,556
Total stockholders' equity	22,056	21,635
Total Liabilities and Stockholders' Equity	$240,175	$226,814

See Notes to Consolidated Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	1992	1991
	(In thousands)	
Operating Activities:		
Net income (loss)	$ 537	($125)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for losses	180	444
Provision for depreciation and amortization	166	198
Deferred and other prepaid loan fees	267	(18)
Amortization of:		
Loans and mortgage-backed security premiums and discounts	16	42
Goodwill	51	51
Mortgage-backed securities gains and losses	(23)	-
(Increase)decrease in interest receivable	(61)	499
(Decrease)increase in interest payable	(364)	5
(Increase)decrease in prepaid expenses and other assets	276	(326)
Decrease in other liabilities	(115)	(174)
Increase in income taxes payable and deferred	6	314
Net other	(8)	(68)
Net cash provided by operating activities	928	842
Investing Activities:		
Proceeds from sale of mortgage-backed securities	1,787	-
Purchase of mortgage-backed securities	(15,066)	(5,449)
Decrease (increase) in:		
Investments in joint ventures	106	(85)
Real estate acquired through foreclosure	(259)	-
Investment portfolio	969	(7,743)
Principal collected on longer term loans	30,423	23,844
Longer term loans originated or acquired	(27,075)	(12,701)
Purchases of premises and equipment	(108)	(36)
Net cash used by investing activities	(9,223)	(2,170)
Financing Activities:		
Net increase in demand deposits, NOW accounts and savings accounts	13,593	4,941
Proceeds from sale of certificates of deposit	27,736	29,076
Payments for maturing certificates of deposit	(28,537)	(26,468)
Increase in advances from borrowers for taxes and insurance	628	296
Dividends paid to stockholders	(116)	(116)
Repayment of other borrowed money	(6)	(600)
Net cash provided by financing activities	13,298	7,129
Increase in cash and and cash equivalents	5,003	5,801
Cash and cash equivalents:		
At beginning of year	16,502	14,291
At end of period	$21,505	$20,092
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 5,553	$ 6,551
Cash paid during the period for taxes	$ 242	$ 161

See Notes to Consolidated
Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six months ended June 30,		Three months ended June 30,	
	1992	1991	1992	1991
	(In thousands, except per share data)			
Interest income:				
Interest on loans	$7,347	$8,347	$3,628	$4,147
Interest on mortgage-backed securities	1,414	943	793	473
Interest and dividends on investments	450	696	174	420
Total interest income	9,211	9,986	4,595	5,040
Interest expense:				
Deposits	5,168	6,372	2,484	3,180
Advances from the FHLB and other borrowed money	22	184	12	97
Total interest expense	5,190	6,556	2,496	3,277
Net interest income before provision for loan losses	4,021	3,430	2,099	1,763
Provision for loan losses (Note 5)	180	444	105	60
Net interest income after provision for loan losses	3,841	2,986	1,994	1,703
Other income:				
Loan fees	17	27	11	10
Checking account fees	325	321	166	160
Equity in joint ventures	2	38	1	18
Net gain on sale of investments	23	-	-	-
Other income	115	165	54	81
Total other income	482	551	232	269
Other expenses:				
Compensation and benefits	1,552	1,500	798	753
Occupancy expense	542	598	272	305
Professional fees	158	84	70	42
Federal insurance premium	228	221	114	111
Data processing costs	227	250	107	121
Bank charges	91	107	47	55
Marketing	79	120	46	68
Amortization of excess cost over fair value of net assets acquired	51	51	25	25
Other expenses	510	562	299	238
Total other expenses	3,438	3,493	1,778	1,718
Income before income taxes	885	44	448	254
Income taxes	348	169	177	105
Net income (loss)	$537	($125)	$271	$149
Earnings (loss) per common share (Note 9)	$0.37	($0.09)	$0.19	$0.10

See Notes to Consolidated
Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	1992	1991
	(In thousands)	
Operating Activities:		
Net income (loss)	$ 537	($125)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for losses	180	444
Provision for depreciation and amortization	166	198
Deferred and other prepaid loan fees	267	(18)
Amortization of:		
Loans and mortgage-backed security premiums and discounts	16	42
Goodwill	51	51
Mortgage-backed securities gains and losses	(23)	-
(Increase)decrease in interest receivable	(61)	499
(Decrease)increase in interest payable	(364)	5
(Increase)decrease in prepaid expenses and other assets	276	(326)
Decrease in other liabilities	(115)	(174)
Increase in income taxes payable and deferred	6	314
Net other	(8)	(68)
Net cash provided by operating activities	928	842
Investing Activities:		
Proceeds from sale of mortgage-backed securities	1,787	-
Purchase of mortgage-backed securities	(15,066)	(5,449)
Decrease (increase) in:		
Investments in joint ventures	106	(85)
Real estate acquired through foreclosure	(259)	-
Investment portfolio	969	(7,743)
Principal collected on longer term loans	30,423	23,844
Longer term loans originated or acquired	(27,075)	(12,701)
Purchases of premises and equipment	(108)	(36)
Net cash used by investing activities	(9,223)	(2,170)
Financing Activities:		
Net increase in demand deposits, NOW accounts and savings accounts	13,593	4,941
Proceeds from sale of certificates of deposit	27,736	29,076
Payments for maturing certificates of deposit	(28,537)	(26,468)
Increase in advances from borrowers for taxes and insurance	628	296
Dividends paid to stockholders	(116)	(116)
Repayment of other borrowed money	(6)	(600)
Net cash provided by financing activities	13,298	7,129
Increase in cash and and cash equivalents	5,003	5,801
Cash and cash equivalents:		
At beginning of year	16,502	14,291
At end of period	$21,505	$20,092
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$ 5,553	$ 6,551
Cash paid during the period for taxes	$ 242	$ 161

See Notes to Consolidated Financial Statements

ELMWOOD BANCORP, INC. and SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

In the opinion of management of Elmwood Bancorp, Inc. (the "Company") the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position as of June 30, 1992, the results of operations for the Company and Elmwood Federal Savings Bank (the "Savings Bank") for the six and three month periods ended June 30, 1992 and 1991, respectively, and their cash flows for the six month periods ended June 30, 1992 and 1991, respectively.

These interim financial statements should not be considered as indicative of the results expected for the full year ending December 31, 1992.

2. Reorganization

On June 30, 1992, the Savings Bank completed its reorganization into the holding company form of organization whereby the outstanding shares of common stock, $1.00 par value per share, of the Savings Bank were converted, by operation of law, into shares of common stock, $.01 par value per share, of the Company and the Savings Bank became a wholly owned subsidiary of the Company. Consequently, the accompanying unaudited financial statements for 1991 are financial statements of the Savings Bank.

3. Principles of Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiaries: the Savings Bank, Elmwood Financial Management Corporation, Elmwood Capital Corporation, Elmwood Weston Corporation, Elmwood Exton Corporation and Elmwood Smithbridge Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. The principal activities of Elmwood Weston Corporation, Elmwood Exton Corporation and Elmwood Smithbridge Corporation are real estate joint ventures. The investments in these ventures are accounted for under the equity method.

4. Investment Securities

A comparison of cost and approximate market value of investment securities is as follows: (In thousands)

	June 30, 1992 (unaudited)		December 31, 1991	
	Cost	Approximate Market Value	Cost	Approximate Market Value
Federated Liquid Asset Trust	$ 202	$ 202	$ 199	$ 199
Commercial Paper	-	-	2,974	2,974
Federal Agency Securities	2,002	2,008	-	-
	$2,204	$2,210	$3,173	$3,173

The Company has the intent and ability to hold these securities to maturity. At June 30, 1992, neither disposal nor conditions that could lead to a decision not to hold these securities were reasonably foreseen.

5. Loans Receivable - net

Loans receivable at June 30, 1992 and December 31, 1991 consist of the following:

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
Residential mortgages	$128,333	$125,670
Commercial mortgages	6,888	7,599
Construction loans	4,670	7,409
Land loans	4,607	5,762
Savings account loans	1,044	1,104
Home equity loans	10,192	9,670
Lines of credit	12,032	12,305
Automobile and other	2,667	2,647
Total	170,433	172,166
Undisbursed portion of loans in process	(1,646)	(2,804)
Discount on loans acquired	(37)	(50)
Unearned discounts on home improvement loans	(7)	(8)
Deferred loan fees	(421)	(155)
Allowance for loan losses	(1,426)	(1,678)
Loans receivable, net	$166,896	$167,471

As of June 30, 1992 and 1991, the Company and the Bank serviced for others whole first-mortgage loans totaling approximately $18,357,000 and $23,849,000, respectively.

The following is a summary of changes in the allowance for loan losses for the six months ended June 30, 1992 and the year ended December 31, 1991.

	June 30, 1992 (unaudited)	December 31, 1991
	(In thousands)	
Balance, beginning of period	$1,678	$1,801
Provision for loan losses	180	714
Charge-offs, net	432	837
Balance, end of period	$1,426	$1,678

6. Mortgage-backed securities

The amortized cost and estimated market value of mortgage-backed securities at June 30, 1992 (unaudited) and December 31, 1991 are as follows:

(In thousands)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
June 30, 1992				
GNMA Certificates	$2,345	$ 100	$ 8	$2,437
FNMA Certificates	6,231	64	28	6,267
FHLMC Certificates	27,516	490	89	27,917
Collateralized mortgage obligations	4,023	7	26	4,004
Other	199	2	-	201
	$40,314	$ 663	$151	$40,826
December 31, 1991				
GNMA Certificates	$ 2,439	$ 126	$ --	$ 2,565
FNMA Certificates	2,595	97	8	2,684
FHLMC Certificates	20,030	787	58	20,759
Collateralized mortgage obligations	4,863	25	--	4,888
Other	315	--	--	315
	$30,242	$1,035	$ 66	$31,211

The Company has the intent and ability to hold these securities to maturity. At June 30, 1992, neither disposal nor conditions that could lead to a decision not to hold these securities were reasonably foreseen. For the six months ended June 30, 1992, the Company sold mortgage-backed securities with a book value of $1,853,543 for a realized gain of $22,988. No such sales occurred for the year ended December 31, 1991.

7. Deposits

Deposits consist of the following major classifications as of June 30, 1992 and December 31, 1991.

	June 30, 1992 (unaudited)	(In thousands)	December 31, 1991
NOW accounts	$31,408		$27,227
Savings accounts	42,936		34,861
Money market demand accounts	20,380		19,043
Certificates of deposit	120,413		121,214
Total deposits	$215,137		$202,345

8. Other Borrowed Money

On May 1, 1987, the Bank purchased a branch facility and secured a mortgage of $226,000. The mortgage bears interest at 10% fixed and matures in June, 1997. The balance on the mortgage at June 30, 1992 was $177,357.

9. Commitments

A summary of fixed and variable rate commitments at June 30, 1992 follows:

(Unaudited)

	Fixed Rate	Variable Rate	Total
		(In thousands)	
Commitments to:			
Fund Loans	$ 255	$ 2,132	$2,387
Loans in process:			
Construction Loans	-	1,646	1,646
Equity Lines of Credit	-	9,871	9,871
Total	$ 255	$13,649	$13,904

These commitments are expected to be funded within one year. The Company issues commitments under the same loan policies and guidelines as funded loans.

10. Earnings per share

Earnings per common share were calculated by dividing net income for the period by the weighted average number of shares of common stock and common stock equivalents (option plan shares) outstanding for the respective periods. This amounted to 1,459,125 shares at June 30, 1992 and 1991 for both the six and three month periods. Stock options granted to directors and officers are common stock equivalents. However, these common stock equivalents did not have a dilutive effect on the earnings per share calculations.

11. Regulatory Capital Requirements

The Bank must maintain: (i) core capital equal to 3% of adjusted total assets, (ii) tangible capital equal to 1.5% of adjusted total assets, and (iii) total capital equal to increasing percentages (i.e. currently 7.2% increasing to 8.0% on December 31, 1992) of risk-weighted assets.

At June 30, 1992, the Bank had the following ratios:

	Tangible Capital	Core Capital	Risk-Based Capital
	(Dollars in thousands)		
Total regulatory capital	$20,161	$21,692	$22,844
Minimum required capital	3,598	7,197	10,318
Excess regulatory capital	$16,563	$14,495	$12,526
Regulatory capital as a percentage	8.40%	9.04%	15.94%
Minimum capital required as a percentage	1.50%	3.00%	7.20%
Regulatory capital as a percentage in excess of requirement	6.90%	6.04%	8.74%

Management believes that, under the current regulations, the Bank will continue to meet its minimum capital requirements in the coming year. However, events beyond the control of the Bank such as increased interest rates or a downturn in the areas where the Bank has most of its loans, could adversely affect future earnings, and consequently, its future capital levels.

12. Stockholders' Equity

Stockholders' equity of the Company at June 30, 1992, reflects the par value adjustment for the reorganization to a holding company from $1.00 per share to $.01 per share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Highlights

Financial Condition Data:	June 30, 1992 (Unaudited)	December 31, 1991
	(In thousands)	
Total assets	$240,175	$226,814
Loans receivable, net	166,896	167,471
Mortgage-backed securities	40,314	30,242
Investment securities and other earning assets (1)	23,388	19,854
Deposits	215,137	202,345
Other borrowings	177	183
Stockholders' equity	22,056	21,635

Other Data:	Six months Ended June 30,		Three months Ended June 30,	
	1992	1991	1992	1991
Return (loss) on average assets	.46%	(.11)%	.46%	.26%
Return (loss) on average equity	4.92	(1.17)	4.94	2.79
Average equity to average assets	9.42	9.59	9.34	9.43
Interest rate spread	3.26	2.76	3.39	2.82
Net yield on interest earning assets	3.60	3.34	3.71	3.25
Other expenses to average assets	2.93	3.12	2.93	3.04

(1) Consists of interest-bearing deposits, federal funds sold, investment securities and Federal Home Loan Bank stock.

Financial Condition

At June 30, 1992 total assets amounted to $240.2 million compared to $226.8 million at December 31, 1991. This represents an increase of $13.4 million or 5.9%. This increase was principally funded by a $12.8 million increase in deposits to $215.1 million at June 30, 1992 from $202.3 million at December 31, 1991. Due to management's continued emphasis on first-mortgage lending and other lower risk investments, mortgage-backed securities increased $10.1 million or 33.4% to $40.3 million at June 30, 1992. Although loans receivable-net decreased $600,000 or .4% to $166.9 million at June 30, 1992 from $167.5 million at December 31, 1991, residential mortgages increased $2.6 million or 2.1% in the first six months of 1992 to $128.3 million and home equity loans increased $500,000 or 5.2% to $10.2 million in that same time frame. Interest-bearing deposits increased $4.5 million or 30.8% to $19.1 million at June 30, 1992 from $14.6 million at December 31, 1991.

Total liabilities at June 30, 1992 amounted to $218.1 million at June 30, 1992 compared to $205.2 million at December 31, 1991, an increase of $12.9 million or 6.3%. As noted above deposits increased $12.8 million or 6.3% in the first six months of 1992. The most

Financial Condition (continued)

significant increases were in savings account balances of $8.0 million and checking balances of $4.2 million. Advances by borrowers for taxes and insurance increased $600,000 to $1.7 million at June 30, 1992. This represents a normal increase in this time period.

Stockholders' equity increased $421,000 or 1.9% to $22.1 million at June 30, 1992. This increase resulted from net income for the six month period of $537,000 offset by a dividend paid to stockholders of approximately $116,000 on May 13, 1992.

Results of Operations

Net income for the six month period ended June 30, 1992 amounted to $537,000 compared to a net loss of $125,000 for the comparable period in 1991. For the three month period ended June 30, 1992 net income amounted to $271,000 compared to $149,000 for the three month period ended June 30, 1991. For the six and three month periods ended June 30, 1992 compared to the same respective periods in 1991, the increase in net income principally resulted from improved interest rate spreads. Also in the six month period ended June 30, 1992, the improvement in net income resulted from a $264,000 reduction in the loan loss provision from the prior period.

Net interest income before provision for loan losses increased by $591,000 or 17.2% and by $336,000 or 19.1% for the six and three month periods ended June 30, 1992, respectively, compared to the same periods in 1991. For the six month period ended June 30, 1992 compared to the same period ended 1991, average interest rate spread increased 50 basis points to 3.26% from 2.76%. In addition, average net interest earning assets in the first six months of 1992 amounted to $15.3 million compared to $14.4 million for the comparable period in 1991, an increase of $900,000. Also, in the first quarter of 1991 an adjustment of $194,000 against interest income was recorded representing an addition to the reserve for uncollected interest to provide for all interest 90 days or more past due. No such adjustment was necessary in 1992. For the three month period ended June 30, 1992 compared to the same period in 1991, average interest rate spread increased 57 basis points to 3.39% from 2.82% and average net interest earning assets in the three month period ended June 30, 1992 amounted to $15.5 million compared to $14.5 million for the same period in 1991, an increase of $1.0 million.

Provision for loan losses for the six and three month periods ended June 30, 1992 amounted to $180,000 and $105,000, respectively, compared to $444,000 and $60,000 for the same respective periods ended June 30, 1991. The Board of Directors and management determine the provision for loan losses based on a regular review of its loan portfolio. An asset classification committee consisting of management personnel and a member of the Board of Directors meet quarterly to review all assets. When evaluating credit and asset risk, the Board

Results of Operations (continued)

and management consider factors such as market conditions, industry standards, delinquent loans, reconcilability through repayment, adequacy of underlying collateral, when appropriate, and prior loss experience. Current appraisals are obtained for all loans 90 days past due. The Company's Board of Directors and management believe that its present allowance for possible loan losses is adequate as of June 30, 1992, based on information available at that time. However, further additions to the provision may be needed, given the uncertainty of the economy, and the real estate market in this region.

Total other income for the six and three month periods ended June 30, 1992 amounted to $482,000 and $232,000, respectively, compared to $551,000 and $269,000 for the six and three month periods ended June 30, 1991. The decrease of $69,000 or 12.5% for the six month period and $37,000 or 13.8% for the three month period from the prior periods resulted principally from lower income derived from joint venture activity as well as lower other income. Income derived from joint venture activity is earned as joint venture built properties are sold and settled. For both the six and three month periods ended June 30, 1992, fewer joint venture built units were sold compared to the same periods ended June 30, 1991. This resulted in a $36,000 and $17,000 decrease in the six and three month periods ended June 30, 1992, respectively, compared to the same periods in 1991. Other income, which consists mainly of mortgage servicing fees, mortgage satisfaction fees, late charges assessed on mortgage payments and fees earned on the sale of official checks, money orders and travelers' checks decreased $50,000 or 30.3% for the six month period ended June 30, 1992 compared to the same period in 1991 and decreased $27,000 or 33.3% for the three month period ended June 30, 1992 compared to the same period in 1991. Income derived from the items mentioned above is dependent on activity levels and will fluctuate as said activity fluctuates. Also, for the six and three month periods ended June 30, 1991, respectively, the Company earned $37,000 and $11,000, respectively in fees relating to the sale of insurance and investment related services through a third party and discontinued providing this service in July of 1991. As a result no corresponding income was earned in 1992.

Total other expenses for the six and three month periods ended June 30, 1992 amounted to $3.44 million and $1.78 million, respectively, compared to $3.49 million and $1.72 million for the same respective periods in 1991. This represents a decrease of $55,000 or 1.6% for the six month period ended June 30, 1992 compared to the same period in 1991 and an increase of $60,000 or 3.5% for the three month period ended June 30, 1992 compared to the three month period ended June 30, 1991. Compensation and benefit costs amounted to $1.55 million and $798,000,

Results of Operations (continued)

respectively, for the six and three month periods ended June 30, 1992 compared to $1.5 million and $753,000 for the comparable periods in 1991. The increases in both reporting periods principally resulted from normal salary increases and the increased cost of health insurance. In both reporting periods reductions in occupancy expense, data processing costs, bank charges and marketing costs resulted from efforts to contain costs wherever possible. Professional fees increased $74,000 or 88.1% and $28,000 or 66.7% for the six and three month periods ended June 30, 1992 compared to the six and three month period ended June 30, 1991. In both periods the increase principally resulted from higher legal costs associated with the disposition of non-performing loans as well as the preparation of proxy materials for the annual meeting of shareholders. Other expenses amounted to $510,000 and $299,000, respectively, for the six and three month periods ended June 30, 1992 compared to $562,000 and $238,000 for the six and three month periods ended June 30, 1991, respectively. The 1992 reporting periods include a one time charge of $80,000 representing the contract settlement of a prior employee.

For the six and three month periods ended June 30, 1992 income tax expense amounted to $348,000 and $177,000 respectively, compared to $169,000 and $105,000 for the same periods in 1991. Income tax expense is affected by the level of pre-tax income generated in the respective period as well as the effective tax rate.

Liquidity and Capital Resources

At June 30, 1992 stockholders' equity amounted to $22.1 million or 9.2% of total assets, as compared to $21.6 million or 9.5% of total assets at December 31, 1991.

The Bank is required to maintain specific amounts of capital pursuant to federal regulations. Each savings institution must maintain tangible and core capital equal to at least 1.5% and 3.0% respectively, of its adjusted total assets. In addition, each savings institution must maintain total capital equal to at least 7.2% of its risk-weighted assets. The risk-based capital ratio increases to 8.0% of risk-weighted assets on December 31, 1992.

Tangible capital includes common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, and minority interest in the equity accounts of fully consolidated subsidiaries, minus intangible assets such as goodwill, certain amounts of purchased mortgage servicing rights and, as a general matter, equity and debt

Liquidity and Capital Resources (continued)

investments in subsidiaries which are engaged in activities not permissible for a national bank (subject to phase-out that began on July 1, 1990).

Core capital is essentially the same as tangible capital except that during a transitional period, qualifying supervisory goodwill in amounts up to 1.5% of total assets may also be included in calculating the core capital requirements. At June 30, 1992 the Bank had goodwill of $1,531,138 which qualified as supervisory goodwill. Investments in, and extensions of credit to subsidiaries not engaged in activities permissible for national banks must generally be deducted from core capital with certain exemptions. A declining percentage of the aggregate amount of investments in, and extensions of credit to subsidiaries engaged in activities not permissible for national banks, beginning with 10% on July 1, 1990, to 100% on July 1, 1994, must be deducted from the Bank's core capital.

Under the risk-basked capital regulations, total capital consists of the sum of core and supplementary capital. For purposes of computing total capital, supplementary capital cannot exceed core capital, as previously defined. Supplementary capital includes (i) permanent capital instruments such as cumulative perpetual preferred stock, perpetual subordinated debt, and mandatory convertible subordinated debt (ii) maturing capital instruments such as subordinated debt, intermediate-term preferred stock and mandatory redeemable preferred stock, subject to an amortization schedule, and (iii) general valuation loan and lease loss allowances up to 1.5% of risk-weighted assets (1.25% on and after December 31, 1992). The risk-based regulation assigns each balance sheet asset held by a savings institution to one of five risk categories based on the amount of credit risk associated with that particular class of assets. Assets not included for purposes of calculating capital are not included in calculating risk-weighted assets. The categories range from 0% for cash and U. S. Government securities that are backed by the full faith and credit of the U. S. Government, to 200% for repossessed assets, or certain assets more than 90 days past due.

Failure to comply with the capital requirements could cause federal regulators to prohibit asset growth and capital distributions and ultimately require the Bank to be placed in conservatorship or receivership. At June 30, 1992 the Bank's capital ratios exceeded all required regulatory minimums.

Under applicable federal regulations, the Bank is required to maintain cash and eligible liquid investments in an amount equal to at least 5% of net withdrawable deposits and borrowings payable within one year. The Bank's liquidity ratio averaged 11.00% for the six months ended June 30, 1992. Management

Liquidity and Capital Resources (continued)

believes that the Bank's present liquidity is adequate to meet its funding and other commitments.

The Bank's principal sources of funds are savings deposits, repayments of outstanding loans, FHLB advances and other borrowings. The Bank uses such funds primarily to meet its ongoing commitments to fund maturing certificates and savings withdrawals, fund existing and continuing loan commitments and maintain its liquidity.

The Bank's liquidity, represented by cash and cash equivalents, is a product of its operating activities, investing activities and financing activities. These activities are summarized below. (Unaudited)

	Six Months Ended June 30,	
	1992	1991
	(In thousands)	
Cash and cash equivalents at beginning of period	$16,502	$14,291
Operating activities:		
Net income (loss)	537	(125)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	391	967
Net cash provided by operating activities	928	842
Net cash used by investing activities	(9,223)	(2,170)
Net cash provided by financing activities	13,298	7,129
Net increase in cash and cash equivalents	5,003	5,801
Cash and cash equivalents at the end of period	$21,505	$20,092

Cash was generated by operating activities in each of the above periods. For the six month periods ended June 30, 1992 and 1991 cash was generated from net income enhanced by an increase in the provision for loan losses, depreciation and amortization.

The primary source of additional funds during the six month period ended June 30, 1992 was principal repayments on existing loans which totaled $30.4 million. During the six month period ended June 30, 1992 net loans decreased from $167.5 million at December 31, 1991 to $166.9 million at June 30, 1992. During this period deposits grew by $12.8 million. Additionally, funds during the period were provided by the maturity of investment securities which totaled $3.0 million. Such funds were primarily invested in mortgage-backed securities and other investments

Liquidity and Capital Resources (continued)

including interest-bearing deposits.

The primary source of additional funds during the six month period ended June 30, 1991 was principal repayments on existing loans which totaled $23.8 million. During the six month period ended June 30, 1991 the Bank experienced a lesser demand for new loan originations and net loans decreased $9.7 million. During this period deposits grew $7.6 million. Funds were primarily invested in interest-bearing accounts at the Federal Home Loan Bank of Pittsburgh and in other liquid type investments. Also, funds were used to repay the remaining balance of a collateralized mortgage obligation of $597,000.

During the six months ended June 30, 1992, loan originations amounted to $27.1 million. Loan commitments outstanding at June 30, 1992 totaled $2.4 million. As of June 30, 1992 the Bank had $11.5 million in undisbursed loan funds, $9.9 million of which represented unused lines of credit.

The total amount of savings certificates which are scheduled to mature within the next twelve months is $82.4 million. Management believes that a substantial portion of these maturing deposits will be redeposited at the Bank.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements and related notes presented herein have been prepared in accordance with generally accepted accounting principals, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates. In the current interest rate environment, liquidity and the maturity structure of Bank's assets and liabilities are critical to the maintenance of acceptable performance levels.

Part II: Other information

Item 1. Legal Proceedings

The Company is not involved in any legal proceedings other than legal proceedings occurring in the ordinary course of business. In the opinion of management, the aggregate amount involved in such proceedings is not material to the financial condition or results of operations of Elmwood Bancorp, Inc.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

A Form 8-K was filed on June 30, 1992 reporting under Item 1 of such Form that the Bank consummated its reorganization into a holding company form of organization whereby the Bank became a wholly owned subsidiary of the Company and stockholders of the Bank became stockholders of the Company. In addition, the Company reported that the common stock, par value $.01 per share, of the Company has been deemed registered under Section 12(g) of the Securities Exchange Act of 1934, as amended, as a result of the reorganization.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELMWOOD BANCORP, INC.

Date:

By: /s/Philip N. Travaglini
Philip N. Travaglini
on behalf of Elmwood
Bancorp, Inc. and as
Senior Vice President
and Treasurer
(principal financial and
accounting officer)

SECOND QUARTER REPORT

JUNE 30, 1992

ELMWOOD
BANCORP, INC.

Service is our Strength
Growth and Earnings are our Commitment

18

ELMWOOD BANCORP, INC. AND SUBSIDIARIES

MESSAGE FROM THE CHAIRMAN

We are pleased to report that on June 30, 1992 Elmwood Federal Savings Bank (the Bank) consummated its reorganization into a savings and loan holding company structure. This reorganization, which will be known as Elmwood Bancorp, Inc., will provide us with the greater flexibility we need to accomplish our future financial goals.

On July 15, 1992, the Board of Directors for Elmwood Federal Savings Bank appointed Richard F. Stipa President, following the resignation of Lewis W. Walters earlier this year.

These major developments, combined with a favorable second quarter, provide the groundwork for an extremely vigorous beginning for the new Company.

On June 30, 1992, Elmwood Bancorp, Inc., reported net income of $271 thousand, or $0.19 per share of common stock for the three months ended June 30, 1992, compared to net income of $149 thousand, or $0.10 per share of common stock for the same period in 1991. This represents an 82% increase in net income. For the six months ended June 30, 1992, net income was $537 thousand, or $0.37 per share of common stock, compared to a net loss of $125 thousand, or a loss per common share of $0.09 for the comparable period in 1991.

The Company's assets increased by 5.9%, or $13.4 million from $226.8 million at December 31, 1991 to $240.2 million at June 30, 1992. Deposits increased by 6.3%, or $12.8 million in the six month period, from $202.3 million at December 31, 1991 to $215.1 million at June 30, 1992.

The improvement in both reporting periods primarily resulted from widening interest rate spreads. For the three month period ended June 30, 1992, the average interest rate spread was 3.41%, compared to 2.79% for the same period in 1991. For the six month period ended June 30, 1992, the average interest rate spread was 3.22%, compared to 2.82% for the first six months of 1991.

Please note that the consolidated statements and financial information prior to June 30, 1992 reflect results of Elmwood Federal Savings Bank and its wholly-owned subsidiaries.

As we move into the third quarter with a stronger, and more profitable company, we thank you for your continued confidence and support. We look forward to presenting our next quarterly report.

Sincerely,

Frank C. Freeman, Chairman

Consolidated Statements of Financial Condition (in thousands)

ASSETS	**JUNE 30, 1992** (unaudited)	**DECEMBER 31, 1991**
Cash and amounts due from depository institutions	$ 2,298	$ 1,798
Interest-bearing deposits	19,082	14,579
Federal funds sold	125	125
Cash and cash-equivalents	21,505	16,502
Investment securities (approximate market value – 1992, $2,210; 1991, $3,173)	2,204	3,173
Loans receivable – net	166,896	167,471
Mortgage-backed securities (approximate market value – 1992, $40,826; 1991, $31,211)	40,314	30,242
FHLB stock – at cost	1,977	1,977
Office properties and equipment – net	1,927	1,985
REO	752	493
Investments in and advances to joint ventures	988	1,094
Excess cost over fair value of assets acquired (goodwill)	1,531	1,582
Accrued interest receivable on:		
Loans	1,081	1,077
Mortgage-backed securities	398	303
Investments	70	108
Prepaid and other assets	532	807
TOTAL ASSETS	$240,175	$226,814
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$215,137	$202,345
Other borrowed money	177	183
Advances by borrowers for taxes and insurance	1,693	1,066
Other liabilities	1,112	1,585
TOTAL LIABILITIES	218,119	205,179
Commitments:		
Stockholders' Equity:		
Preferred stock: 10,000,000 shares authorized, $1.00 par value per share; none issued	—	—
Common stock: 15,000,000 shares authorized, $1.00 par value per share; 1,459,125 issued and outstanding	15	1,459
Additional paid-in capital	11,064	9,620
Retained earnings – substantially restricted	10,977	10,556
Total stockholders' equity	22,056	21,635
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$240,175	$226,814

Consolidated Statements of Operations (Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	1992	1991	1992	1991
	(unaudited)		(unaudited)	
	(in thousands, except per share data)			
INTEREST INCOME:				
Interest on loans	$7,347	$8,347	$3,628	$4,147
Interest on mortgage-backed securities	1,414	943	793	473
Interest and dividends on investments	450	696	174	420
Total interest income	9,211	9,986	4,595	5,040
INTEREST EXPENSE:				
Deposits	5,168	6,372	2,484	3,180
Advances from the FHLB and other borrowed money	22	184	12	97
Total interest expense	5,190	6,556	2,496	3,277
Net interest income before provision for loan losses	4,021	3,430	2,099	1,763
Provision for loan losses	180	444	105	60
Net interest income after provision for loan losses	3,841	2,986	1,994	1,703
OTHER INCOME:				
Loan fees	17	27	11	10
Checking account fees	325	321	166	160
Equity in joint ventures	2	38	1	18
Net gain on sale of investments	23	—	—	—
Other income	115	165	54	81
Total other income	482	551	232	269
OTHER EXPENSES:				
Compensation and benefits	1,552	1,500	798	753
Occupancy expense	542	598	272	305
Professional fees	158	84	70	42
FDIC insurance premium	228	221	114	111
Data processing costs	227	250	107	121
Bank charges	91	107	47	55
Marketing	79	120	46	68
Amortization of excess cost over fair value of net assets acquired	51	51	25	25
Other expenses	510	562	299	238
Total other expenses	3,438	3,493	1,778	1,718
Income before income taxes	885	44	448	254
Income taxes	348	169	177	105
NET INCOME (LOSS)	$ 537	$ (125)	$ 271	$ 149
Earnings (loss) per common share	$ 0.37	$ (0.09)	$ 0.19	$ 0.10

Directors

NICHOLAS F. CATANIA	Real Estate
BRUCE B. CHARLES	Partner, Main Hurdman, Retired
EARLE M. FORD	Public Accountant
FRANK C. FREEMAN	Chairman of the Board, Elmwood Federal
ALLEN S. GREENE	Chairman and CEO, VSB Bancorp, Inc.
WILLIAM S. LATOFF	Principal, Bliss & Co., Ltd.
JOHN M. POWERS, JR.	President, Powers, Craft, Parker & Beard, Inc.
WILLIAM A. SCHMIDT	President, A.J. Schmidt Company
RONALD C. UNTERBERGER, ESQ.	Attorney

Senior Officers

FRANK C. FREEMAN	Chairman and Acting Chief Executive Officer
RICHARD F. STIPA	Executive Vice President and Chief Operating Officer
WALTER P. CHANDLER	Executive Vice President
PHILIP N. TRAVAGLINI	Senior Vice President and Treasurer
RICHARD A. CLARKE	Vice President
EDGAR L. LEWIS	Vice President
LILLIAN M. MASINO	Vice President
R. LEE SMITHAM	Vice President
MARGARET M. STAIRIKER	Vice President
WILLIAM S. LATOFF	Secretary
ESTHER P. PARTRIDGE	General Auditor and Compliance Officer

SOLICITOR
RONALD C. UNTERBERGER, ESQ.
Harper & Driver

AUDITORS
DELOITTE & TOUCHE
Certified Public Accountants

Elmwood Bancorp, Inc.'s stock is traded over the counter and may be quoted through the National Association of Securities Dealers Quotation System (NASDAQ) under the symbol EFSB. Daily quotations are included in the NASDAQ National Market stock tables published in the Wall Street Journal and other leading newspapers.

Administrative Center

The Hampton Building, 112 Chesley Drive
Media, PA 19063
565-8200

Offices

Delaware County
Route 1 & Cheyney Road, Concordville, PA 19331
459-0977

933 Saville Avenue, Eddystone, PA 19022
874-5394

MacDade Blvd. & Kedron Ave., Folsom, PA 19033
532-0306

300 Chester Pike, Glenolden, PA 19036
583-9010

201 West State Street, Media, PA 19063
565-0310

11 E. Hinckley Avenue, Ridley Park, PA 19078
521-2900

Chester County
1584 Paoli Pike, Goshen, PA 19380
692-4755

215 East Cypress Street, Kennett Square, PA 19348
444-4350

Philadelphia County
6301 Woodland Avenue, Philadelphia, PA 19142
726-0400

MAC

Insured by FDIC

ELMWOOD
BANCORP, INC.
Service is our Strength

N4 0 3398
Q 34509

G
92-2257

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 0-8590

Equitable of Iowa Companies
(Exact name of registrant as specified in its charter)

Iowa
(State or other jurisdiction of incorporation or organization)

42-1083593
(IRS employer identification no.)

604 Locust Street, Des Moines, Iowa
(Address of principal executive offices)

50306
(Zip code)

Registrant's telephone number, including area code (515) 245-6911

____
Former name, former address and formal fiscal year, if changed since last report

Indicate by check ✓ whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 14,384,679 shares of Common Stock as of August 1, 1992.

Exhibit index - Page 31

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FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Person for whom the Financial Information is given:	Equitable of Iowa Companies and its Subsidiaries

Consolidated Statements of Income (Unaudited):

	FOR THE THREE MONTHS ENDED	
	June 30, 1992	June 30, 1991 RESTATED
	(Current Year)	(Preceding Year)
	(Dollars in thousands)	
REVENUES:		
Traditional life insurance premiums	$ 11,595	$ 12,714
Universal life and investment product charges	7,395	6,832
Net investment income	88,041	76,145
Realized gains (losses) on investments	4,573	(3,426)
Other income	3,723	4,532
	115,327	96,797
BENEFITS AND EXPENSES:		
Expenses of life insurance operations:		
Traditional life insurance benefits:		
Death benefits	4,073	6,070
Other benefits	9,406	11,596
Universal life and investment product benefits:		
Interest credited to account balances	56,041	46,555
Benefit claims incurred in excess of account balances	1,455	1,500
Increase (decrease) in future policy benefits:		
Life and annuity	47	(3,415)
Other contracts	153	(9)
Distributions to participating policyholders	6,081	6,689
Underwriting, acquisition and insurance expenses:		
Commissions	22,672	10,469
General expenses	7,794	6,323
Insurance taxes	1,457	812
Policy acquisition costs deferred	(27,739)	(12,925)
Amortization of deferred policy acquisition costs	5,128	4,955
	86,568	78,620
Interest expense	2,469	2,206
Other expenses	2,490	2,570
	91,527	83,396
	23,800	13,401

Consolidated Statements of Income (Unaudited): (CONTINUATION)

	FOR THE THREE MONTHS ENDED June 30, 1992 (Current Year)	 June 30, 1991 RESTATED (Preceding Year)
	(Dollars in thousands, except per share data)	
Income taxes: (credit):		
Current	$ 9,949	$ 5,688
Deferred	(3,429)	231
	6,520	5,919
	17,280	7,482
Equity loss, net of related tax benefit of (1992 - ($76); 1991 - ($13))	(94)	(57)
Income from continuing operations	17,186	7,425
Discontinued operations:		
Income from operations of discontinued retail operations, net of related income tax expense (1992 - $208; 1991 - $430)	292	185
Gain on disposal of discontinued retail operations, net of related income tax expense of $3,791	5,106	--
	5,398	185
NET INCOME	$ 22,584	$ 7,610
EARNINGS PER SHARE (average shares used 1992 - 14,284,220; 1991 - 14,196,406):		
Income from continuing operations	$ 1.20	$ 0.53
Discontinued operations:		
Income from operations of discontinued retail operations	0.02	0.01
Gain on disposal of discontinued retail operations	0.36	--
	0.38	0.01
NET INCOME	$ 1.58	$0.54
CASH DIVIDENDS PAID PER COMMON SHARE	$ 0.18	$ 0.16

Consolidated Statements of Income (Unaudited):

	FOR THE SIX MONTHS ENDED	
	June 30, 1992	June 30, 1991 RESTATED
	(Current Year)	(Preceding Year)
	(Dollars in thousands)	
REVENUES:		
Traditional life insurance premiums	$ 23,708	$ 26,038
Universal life and investment product charges	14,864	13,635
Net investment income	172,412	150,798
Realized gains (losses) on investments	5,336	(4,643)
Other income	6,594	8,546
	222,904	194,374
BENEFITS AND EXPENSES:		
Expenses of life insurance operations:		
Traditional life insurance benefits:		
Death benefits	9,678	12,499
Other benefits	21,422	24,229
Universal life and investment product benefits:		
Interest credited to account balances	109,090	91,019
Benefit claims incurred in excess of account balances	2,633	3,695
Decrease in future policy benefits:		
Life and annuity	(2,640)	(6,399)
Other contracts	(329)	(292)
Distributions to participating policyholders	12,791	13,979
Underwriting, acquisition and insurance expenses:		
Commissions	41,666	19,714
General expenses	15,389	12,990
Insurance taxes	2,962	1,998
Policy acquisition costs deferred	(50,785)	(25,182)
Amortization of deferred policy acquisition costs	10,445	9,382
	172,322	157,632
Interest expense	4,834	4,698
Other expenses	4,839	4,743
	181,995	167,073
	40,909	27,301

Consolidated Statements of Income (Unaudited): (CONTINUATION)

	FOR THE SIX MONTHS ENDED	
	June 30, 1992	June 30, 1991 RESTATED
	(Current Year)	(Preceding Year)
	(Dollars in thousands, except per share data)	
Income taxes:		
Current	$ 10,080	$ 9,031
Deferred	1,998	2,174
	12,078	11,205
	28,831	16,096
Equity loss, net of related tax benefit of (1992 - ($45); 1991 - (76))	(36)	(141)
Income from continuing operations before cumulative effect of change in accounting principle	28,795	15,955
Discontinued operations:		
Loss from operations of discontinued retail operatons, net of related income tax benefits (1992 - ($2,232); 1991 - ($2,188)	(3,182)	(3,792)
Gain on disposal of discontinued retail operations, net of related income tax expense of $3,791	5,106	--
	1,924	(3,792)
Income before cumulative effect of change in accounting principle	30,719	12,163
Cumulative effect on prior years of change in method of accounting for income taxes	--	9,444
NET INCOME	$ 30,719	$ 21,607
EARNINGS PER SHARE (average shares used 1992 - 14,252,252; 1991 - 14,190,218):		
Income from continuing operations	$ 2.02	$ 1.13
Discontinued operations:		
Loss from operations of discontinued retail operations	(0.22)	(0.27)
Gain on disposal of discontinued retail operations	0.36	--
	0.14	(0.27)
Cumulative effect on prior years of change in method of accounting for income taxes	--	0.67
NET INCOME	$ 2.16	$ 1.53
CASH DIVIDENDS PAID PER COMMON SHARE	$ 0.34	$ 0.31

Consolidated Statements of Income (Unaudited):

	FOR THE TWELVE MONTHS ENDED	
	June 30, 1992	June 30, 1991 RESTATED
	(Current Year)	(Preceding Year)
	(Dollars in thousands)	
REVENUES:		
Traditional life insurance premiums	$ 48,704	$ 57,903
Universal life and investment product charges	30,244	25,740
Net investment income	333,431	291,390
Realized gains (losses) on investments	4,759	(22,201)
Other income	11,681	14,544
	428,819	367,376
BENEFITS AND EXPENSES:		
Expenses of life insurance operations:		
Traditional life insurance benefits:		
Death benefits	21,100	22,359
Other benefits	42,094	46,344
Universal life and investment product benefits:		
Interest credited to account balances	209,481	174,326
Benefit claims incurred in excess of account balances	4,474	6,154
Decrease in future policy benefits:		
Life and annuity	(3,439)	(4,501)
Other contracts	(276)	(654)
Distributions to participating policyholders	26,225	28,718
Underwriting, acquisition and insurance expenses:		
Commissions	65,736	39,010
General expenses	44,956	28,180
Insurance taxes	5,556	4,388
Policy acquisition costs deferred	(81,849)	(51,105)
Amortization of deferred policy acquisition costs	20,170	17,475
	354,228	310,694
Interest expense	9,767	9,316
Other expenses	8,087	9,418
	372,082	329,428
	56,737	37,948

Consolidated Statements of Income (Unaudited): (CONTINUATION)

	FOR THE TWELVE MONTHS ENDED June 30, 1992 (Current Year)	FOR THE TWELVE MONTHS ENDED June 30, 1991 RESTATED (Preceding Year)
	(Dollars in thousands, except per share data)	
Income taxes: (credit):		
Current	$ 24,825	$ 16,032
Deferred	(5,872)	290
	18,953	16,322
	37,784	21,626
Equity loss, net of related tax benefit of (1992 - ($188); 1991 - ($204))	(204)	(182)
Income from continuing operations before cumulative effect of change in accounting principle	37,580	21,444
Discontinued operations:		
Income from operations of discontinued retail operations, net of related income tax expense (1992 - $5,274; 1991 - $780)	6,956	2,945
Gain on disposal of discontinued retail operations, net of related income tax expense of $3,791	5,106	—
	12,062	2,945
Income before cumulative effect of change in accounting principle	49,642	24,389
Cumulative effect on prior years of change in method of accounting for income taxes	—	9,444
NET INCOME	$ 49,642	$ 33,833
EARNINGS PER SHARE (average shares used 1992 - 14,252,252; 1991 - 14,190,218):		
Income from continuing operations	$ 2.63	$ 1.52
Discontinued operations:		
Income from operations of discontinued retail operations:	0.50	0.20
Gain on disposal of discontinued retail operations	0.36	--
	0.86	0.20
Cumulative effect on prior years of change in method of accounting for income taxes	--	0.67
NET INCOME	$ 3.49	$ 2.39
CASH DIVIDENDS PAID PER COMMON SHARE	$ 0.66	$ 0.61

Consolidated Balance Sheets (Unaudited):

	June 30, 1992	December 31, 1991 RESTATED
	(Dollars in thousands)	
ASSETS		
Investments:		
Fixed maturities - at amortized cost (market: 1992 - $3,698,891; 1991 - $3,232,932)	$ 3,550,473	$ 3,107,325
Equity securities - at market (cost: 1992 - $1,915; 1991 - $9,711)	1,152	8,813
Mortgage loans on real estate	218,455	221,804
Real estate - at cost, less allowances for depreciation (1992 - $3,826; 1991 - $3,668)	15,112	16,231
Policy loans	179,579	181,838
Short-term investments	75,357	17,391
TOTAL INVESTMENTS	4,040,128	3,553,402
Cash and cash equivalents	(2,926)	7,160
Securities and indebtedness of related parties	13,073	9,714
Accrued investment income	70,089	66,284
Notes and other receivables	46,596	8,735
Deferred policy acquisition costs	312,517	272,176
Property and equipment - at cost, less allowances for depreciation (1992 - $3,500; 1991 - $2,776)	5,209	3,561
Deferred tax benefit	9,752	11,736
Intangible and other assets	27,792	27,029
Separate account assets	72,013	72,704
Assets of discontinued operations	--	198,860
	$4,594,243	$4,231,361

Consolidated Balance Sheets (Unaudited):

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 1992	December 31, 1991 RESTATED
	(Dollars in thousands)	
Policy liabilities and accruals:		
Future policy benefits:		
Traditional life insurance products	$ 767,848	$ 770,488
Universal life and investment products	3,168,151	2,728,927
Unearned revenue reserve	12,819	13,393
Other policy claims and benefits	3,612	4,044
	3,952,430	3,516,852
Other policyholders' funds:		
Supplementary contracts without life contingencies	10,838	10,954
Advance premiums and other deposits	1,420	1,643
Accrued dividends	13,298	13,841
	25,556	26,438
Current income taxes payable (receivable)	(816)	1,896
Notes and loans payable:		
Commercial paper notes	28,774	34,800
Convertible subordinated installment notes	256	---
Long-term bonds	50,000	50,000
Industrial development revenue bonds (guaranteed by parent)	10,500	10,500
Other notes	12	36
	89,542	95,336
Other liabilities	104,839	50,996
Separate account liabilities	72,013	72,704
Liabilities of discontinued operations	—	144,359
TOTAL LIABILITIES	4,243,564	3,908,581
Stockholders' equity:		
Common Stock - Class A	—	1,207
Common Stock - Class B	14,332	5,900
Additional paid-in capital	674	5,617
Unrealized appreciation (depreciation) on marketable equity securities	(763)	(898)
Retained earnings	337,639	312,229
Unearned compensation (deduction)	(1,203)	(1,275)
TOTAL STOCKHOLDERS' EQUITY	350,679	322,780
	$ 4,594,243	$ 4,231,361

Consolidated Statement of Cash Flows (Unaudited):

	FOR THE SIX MONTHS ENDED June 30, 1992	FOR THE SIX MONTHS ENDED June 30, 1991 RESTATED
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Continuing operations:		
Net income before cumulative effect of change in accounting principle	$ 28,795	$ 15,955
Adjustments to reconcile net income to net cash provided:		
Adjustments related to universal life and investment products:		
Interest credited to account balances	109,036	91,019
Charges for mortality and administration	(13,801)	(12,539)
Deferral of unearned revenues	246	(522)
Amortization of unearned revenues	(820)	(267)
Decrease in traditional life policy liabilities and accruals	(3,072)	(6,795)
Decrease in other policyholders' funds	(882)	(462)
Increase in accrued investment income	(3,805)	(8,795)
Policy acquisition costs deferred	(50,786)	(25,182)
Amortization of deferred policy acquisition costs	10,445	9,382
Change in other assets, other liabilities, and accrued income taxes	11,198	(29,541)
Provision for depreciation and amortization	1,180	794
Provision for deferred income taxes	1,984	8,400
Share of losses of related parties	81	217
Realized (gains) losses on investments	(5,336)	4,643
	84,463	46,307
Discontinued Operations		
Net income	1,924	(3,792)
Adjustments to reconcile net income to net cash provided	(436)	5,293
	1,488	1,501
NET CASH PROVIDED BY OPERATING ACTIVITIES	85,951	47,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale, maturity, or repayment of investments:		
Fixed maturities	358,191	56,780
Equity securities	10,622	106
Mortgage loans on real estate	18,799	7,024
Real estate	1,957	26
Policy loans	15,611	14,772
Short-term investments - net	---	96,978
Acquisition of investments:		
Fixed maturities	(799,116)	(359,358)
Mortgage loans on real estate	(16,349)	(918)
Real estate	(160)	(131)
Policy loans	(13,352)	(14,490)
Short-term investments - net	(57,966)	---

Consolidated Statement of Cash Flows (Unaudited):

	FOR THE SIX MONTHS ENDED	
	June 30, 1992 (Current Year)	June 30, 1991 RESTATED (Preceding Year)
	(Dollars in thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES - continued		
Disposal of investments accounted for by the equity method	$ 412	$ 11
Additions to investments accounted for by the equity method	(3,852)	(1,300)
Proceeds from sale of interest in subsidiary	54,938	---
Repayments of notes receivable	4	3
Issuance of notes receivable	(2)	(8)
Sales of property and equipment	18	8
Purchase of property and equipment	(784)	(394)
NET CASH USED IN INVESTING ACTIVITIES	(431,029)	(200,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit borrowings	---	100,000
Repayment of line of credit borrowings	---	(188,000)
	(---)	(88,000)
Proceeds from notes and loans payable	265	50,000
Repayment of notes and loans payable	(33)	(76)
Issuance of commercial paper - net	(6,026)	30,000
Receipts from universal life policies and investment contracts credited to policyholder account balances	493,565	254,140
Return of policyholder account balances on universal life policies and investment contracts	(149,576)	(79,924)
Issuance of restricted stock	(176)	---
Issuance of stock under employee stock plans	1,841	143
Dividends paid	(4,868)	(4,409)
NET CASH PROVIDED BY FINANCING ACTIVITIES	334,992	161,874
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,086)	8,791
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,160	6,106
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ (2,926)	$ 14,897

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All adjustments were of a normal recurring nature, unless otherwise noted in Management's Discussion and Analysis and the Notes to Financial Statements. Operating results for the six month period ended June 30, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

The accompanying Consolidated Balance Sheet as of December 31, 1991, the Consolidated Statements of Income for the three, six, and twelve months ended June 30, 1991 and the Consolidated Statement of Cash Flows for the six months ended June 30, 1991 have been restated to reclassify retail operations as discontinued operations. The accompanying Consolidated Statements of Income for the three, six, and twelve months ended June 30, 1991, and the Consolidated Statement of Cash Flows for the six months ended June 30, 1991 have been restated to reflect the implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" effective as of January 1, 1991, which was treated as a cumulative effect adjustment. 1991 per share amounts have been restated to reflect a 2-for-1 stock split on June 2, 1992.

NOTE 2 -- DISCONTINUED OPERATIONS

On February 25, 1992, the Company and its retail subsidiary, Younkers, filed a registration statement with the Securities and Exchange Commission for a public offering of up to 6,170,000 shares of Younkers' common stock which was completed on April 29, 1992 ("disposal date") for the full number of shares. Prior to the offering, the Company had owned 4,703,555 shares of Younkers' common stock, all of which were sold in the public offering. The consolidated financial statements of the Company have been restated to report the assets, liabilities and operating results of retail operations as discontinued operations.

1992 income from discontinued operations includes retail sales to the measurement date of $83,815,000 for the first four months of 1992. 1991 income from discontinued operations includes retail sales of $75,990,000 for the second quarter and $138,243,000 for the six months ended June 30, 1991.

The sale of the Company's retail operations resulted in a pre-tax gain of $8,897,000 ($5,106,000, or $0.36 per share, after tax), compared to preliminary estimates reported in the previous quarter of $9,200,000 and $5,300,000, respectively. Proceeds from the sale, net of commissions and expenses, were $54,938,000.

NOTE 3 -- INVESTMENT OPERATIONS

Fixed maturity investments (bonds and redeemable preferred stocks) are reported at cost adjusted for amortization of premiums and accrual of discounts. The Company has the ability and intent to hold fixed maturity investment securities to maturity and, therefore, reports such investments at amortized cost. Changes in the market value of fixed maturity investments, except for declines that are other than temporary, are not reflected in the Company's financial statements. Equity securities (common and nonredeemable preferred stocks) are reported at market if readily marketable, or at cost if not readily marketable. The change in unrealized appreciation and depreciation of marketable equity securities is included directly in stockholders' equity, net of applicable taxes. Mortgage loans on real estate are reported at cost adjusted for amortization of premiums and accrual of discounts. If the value of any mortgage loan is determined to be uncollectible, the carrying value of the mortgage loan is reduced to the amount estimated as collectible. Real estate, which includes real estate acquired through foreclosure, is reported at cost less allowances for depreciation. Real estate acquired through foreclosure, or in-substance foreclosure, is recorded at the lower of cost (which includes the balance of the mortgage loan, any accrued interest and any costs incurred to obtain title to the property) or fair value as determined at or before the foreclosure date. Policy loans are reported at unpaid principal. Short-term investments are reported at cost adjusted for amortization of premiums and accrual of discounts.

The carrying values of the Company's investments are reviewed at least quarterly. If this review indicates a decline in value that is other than temporary for any investment, the Company's carrying value in the investment is reduced to its estimated net realizable value. Such reductions in carrying value are recognized as realized losses in the determination of net income.

The Company attempts to identify declines in value that are other than temporary through a formal quarterly review of reports prepared by the Company's investment research analysts. This review process includes an analysis of debt service coverages, cash flow and earnings projections, debt to equity ratios, the overall business and industry environment, the Company's forecast of the issuer's business opportunities and challenges, the relative position of the Company's investment within the issuer's capital structure and, if appropriate and available, an analysis of the assets of the issuer. Based upon these reviews, the Company makes a judgement as to whether the combination of these and other factors indicate that it is likely that the Company will be unable to realize its carrying value, because future nondiscounted cash payments received will not be equal to or in excess of carrying value in the case of fixed maturities, or because of depressed market values that are not expected to recover in the case of equity securities. These judgements serve as the primary criteria for the determination as to whether declines in value are other than temporary.

For each fixed maturity investment where the decline in value is judged to be other than temporary, the Company estimates the expected cash flows from the investment under the scenario for the issuer's future performance judged most likely, based upon the facts and circumstances known to the Company at the time. The scenario may involve anticipated restructuring of the issuer's debt to adjust interest, principal, and other terms, complete liquidation of the issuer to satisfy creditors, or other possible means of satisfying the issuer's obligations. If the estimated nondiscounted cash flows are less than the carrying value of the

Company's investment in the issuer, the Company recognizes a loss and reduces the carrying value of the investment to the net realizable value based upon estimated nondiscounted cash flows.

Further, for each fixed maturity investment where a decline in value is judged to be other than temporary, the Company reverses any accrued interest income, and records future interest income only when cash is received (at the rate implicit in the calculation of net realizable value). Because the Company has elected to utilize nondiscounted cash flows in its net realizable value calculations, the yield recognized in future periods on such investments may be less than yields recognized on other investments or those yields expected when the security was originally purchased.

At June 30, 1992 the amortized cost, gross unrealized gains and losses and estimated market values of fixed maturity investments are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(Dollars in thousands)		
U.S. government and governmental agencies and authorities:				
Mortgage-backed securities	$413,100	$21,941	$ –	$435,041
Other	22,768	226	(753)	22,241
States, municipalities and political subdivisions	10,597	188	(1)	10,784
Foreign governments	11,211	1,161	(82)	12,290
Public utilities	857,885	34,240	(1,032)	891,093
Investment grade corporate	1,358,495	86,523	(1,531)	1,443,487
Below investment grade corporate	246,241	6,938	(22,885)	230,294
Mortgage-backed securities	629,187	24,143	(296)	653,034
Redeemable preferred stocks	989	–	(362)	627
TOTAL FIXED MATURITIES	$3,550,473	$175,360	$(26,942)	$3,698,891

Short-term investments with maturities of 30 days or less have been excluded from the above schedule. Amortized cost approximates market value for these securities. The amortized cost and estimated market value of debt securities at June 30, 1992, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Value	Estimated Market Value
	(Dollars in thousands)	
Due in one year or less	$182	$181
Due after one year through five years	24,568	24,398
Due after five years through ten years	242,702	242,046
Due after ten years	2,240,734	2,344,191
	2,508,186	2,610,816
Mortgage-backed securities	1,042,287	1,088,075
TOTAL FIXED MATURITIES	$3,550,473	$3,698,891

An analysis of sales, maturities and principal repayments of the Company's fixed maturities portfolio is as follows:

	Amortized Cost	Gross Realized Gains	Gross Realized Losses	Proceeds
Six months ended June 30, 1992	(Dollars in thousands)			
Scheduled principal repayments, calls and tenders	$233,598	$8,741		$242,339
Sales	118,388	5,163	$(7,699)	115,852
TOTAL	$351,986	$13,904	$(7,699)	$358,191
Six months ended June 30, 1991				
Scheduled principal repayments, calls and tenders	$41,633	$70		$41,703
Sales	19,386	500	$(4,809)	15,077
TOTAL	$61,019	$570	$(4,809)	$56,780

At June 30, 1992, unrealized depreciation of equity securities, carried at market value, is comprised solely of gross depreciation of $763,000.

The carrying value of investments which have been non-income producing for the twelve months preceding June 30, 1992 includes: fixed maturities - $6,603,000; mortgage loans on real estate - $7,004,000; and real estate - $239,000.

No investment in any person or its affiliates (other than bonds issued by agencies of the United States government) exceeded ten percent of stockholders' equity at June 30, 1992.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this section is to discuss and analyze the Company's consolidated financial condition, liquidity and capital resources, and results of operations. This analysis should be read in conjunction with the financial statements and related notes which appear elsewhere in this report. The Company reports financial results on a consolidated basis. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. The Company's retail subsidiary, Younkers, was sold through a public stock offering on April 29, 1992 and has been classified as a discontinued operation.

FINANCIAL CONDITION

The Company's total investments grew 13.7% in the first six months of 1992 compared to growth of 6.3% for the same period of 1991. This increase in the rate of growth of the Company's investment portfolio resulted from increased sales of the Company's insurance and annuity products. The Company carefully monitors the growth of its insurance operations in order to maintain its current strong capital ratios. As a result of strong consumer demand for its products, the Company expects to exceed its previously announced goal of growing assets in the range of 12 - 15% in 1992 and now expects assets to grow 16 - 20% in 1992.

To support the Company's annuities and life insurance products, cash flow was invested primarily in fixed maturity securities. At June 30, 1992, 99.6% of the Company's investments, excluding policy loans, were in cash or fixed income investments. Fixed income investments consist of government and agency mortgage-backed securities (11.9%); investment grade corporate, as determined by either Moody's Investors Service ("Moody's") or Standard & Poor's Corporation ("Standard & Poor's"), and conventional mortgage-backed securities (73.8%); below investment grade corporate securities (6.4%); and mortgage loans on real estate (5.6%).

The Company reports its fixed income, fixed maturity securities at amortized cost. The Company purchases such investments with the intention to hold them to maturity. Several factors demonstrate the Company's ability to hold investments until maturity. The Company's insurance and annuity liabilities are long term by nature. The Company has generally experienced low lapse rates on its insurance policies, and all whole life and annuity policies currently being sold have surrender penalties that tend to discourage lapse or surrender of policies. In addition, one of the Company's investment objectives is to manage its portfolio so that the duration of its assets is no longer than the duration of its liabilities.

At June 30, 1992, the ratings assigned by Standard & Poor's and Moody's to the individual securities in the Company's fixed maturities portfolio are summarized as follows:

	Carrying Value	% of Total	Estimated Market Value	% of Total
Ratings assigned by Standard & Poor's Corporation:	(Dollars in thousands)			
U.S. governments, agencies & AAA Corporates	$ 964,306	27.2%	$ 1,005,637	27.2%
AA+ to AA-	333,285	9.4%	344,518	9.3%
A+ to A-	1,280,940	36.1%	1,352,333	36.7%
BBB+ to BBB-	633,337	17.8%	670,913	18.1%
BB+ to BB-	95,792	2.7%	96,901	2.6%
B+ to B-	128,661	3.6%	129,066	3.5%
D	21,660	0.6%	12,234	0.3%
Issues not rated by S&P (by NAIC rating)				
Rated 1 (AAA to A-)	48,987	1.4%	49,627	1.3%
Rated 2 (BBB+ to BBB-)	14,908	0.4%	15,789	0.4%
Rated 3 (BB+ to BB-)	3,842	0.1%	3,805	0.1%
Rated 4 (B+ to B-)	7,228	0.2%	6,215	0.2%
Rated 5 (CCC+ to C)	16,538	0.5%	11,226	0.3%
Redeemable preferred stock	989	0.0%	627	0.0%
TOTAL FIXED MATURITIES	$3,550,473	100.0%	$3,698,891	100.0%

	Carrying Value	% of Total	Estimated Market Value	% of Total
	(Dollars in thousands)			
Ratings assigned by Moody's Investor's Service:				
U.S. governments, agencies & Aaa Corporates	$ 830,276	23.5%	$ 866,959	23.4%
Aa1 to Aa3	327,596	9.2%	338,968	9.2%
A1 to A3	1,279,425	36.1%	1,349,667	36.7%
Baa1 to Baa3	625,999	17.6%	666,788	18.0%
Ba1 to Ba3	128,926	3.6%	127,823	3.5%
B1 to B3	118,757	3.3%	119,996	3.2%
Caa1 to Caa3	10,201	0.3%	8,006	0.2%
Ca	21,660	0.6%	12,233	0.3%
Issues not rated by Moody's (by NAIC rating)				
Rated 1 (Aaa to A3)	174,331	4.9%	178,792	4.8%
Rated 2 (Baa1 to Baa3)	14,908	0.4%	15,789	0.4%
Rated 3 (Ba1 to Ba3)	3,841	0.1%	3,805	0.1%
Rated 4 (B1 to B3)	5,264	0.2%	5,295	0.1%
Rated 5 (Caa1 to C3)	8,300	0.2%	4,143	0.1%
Redeemable preferred stock	989	0.0%	627	0.0%
TOTAL FIXED MATURITIES	$3,550,473	100.0%	$3,698,891	100.0%

Note: Estimated market values of publicly traded bonds are as reported by an independent pricing service. Market values of private placement bonds ($29,281,000 at June 30, 1992) are estimated using a matrix that assumes a spread (based on interest rates and a risk assessment of the bonds) over U.S. Treasury bonds. Estimated market values of redeemable preferred stocks are as reported by the National Association of Insurance Commissioners ("NAIC").

Net unrealized appreciation of fixed maturity investments of $148,418,000 was comprised of gross appreciation of $175,360,000 and gross depreciation of $26,942,000.

At June 30, 1992, high yield, below investment grade securities, using the higher rating by Moody's or Standard & Poor's, totalled $246,241,000 or 6.4% of the investment portfolio of the Company's insurance operations. Included in this total were $116,413,000 of securities, rated investment grade when purchased and later downgraded. The Company estimates that the market value of its high yield portfolio was $230,294,000, or 93.5% of carrying value, at June 30, 1992.

Investments in high yield securities have different risks than investments in corporate debt securities rated investment grade. Risk of loss upon default by the borrower is significantly greater with respect to high yield securities than with other corporate debt securities because high yield securities are generally unsecured and are often subordinated to other creditors of the issuer. Also, issuers of high yield securities usually have high levels of debt and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. The Company attempts to reduce the overall risk in its high yield portfolio, as in all of its investments, through careful credit analysis, investment policy limitations, and diversification by company and by industry.

During the second quarter of 1992, the Company purchased two below investment grade securities for $3,993,000. At June 30, 1992 these securities had a NAIC rating of 3 and an estimated market value of $4,020,000. The Company may purchase additional below investment grade securities but it does not expect the percentage of its portfolio invested in below investment grade securities to increase. The Company analyzes its investment portfolio at least quarterly in order to determine if its ability to realize its carrying value on any investment has been impaired. If impairment in value is determined to be other than temporary (i.e. the Company has doubt about an issuer's ability to comply on a timely basis with the payment provisions of the instrument), the Company prepares an estimate of net realizable value by estimating expected future cash flows from the investment and in turn, recognizes the impairment as a charge to realized gains and losses if the estimated nondiscounted cash flows from the investment are less than the carrying value of the investment.

At June 30, 1992, the Company's high yield portfolio included forty-eight different issuers. Of these forty-eight issuers, the Company has identified seven issuers which were considered to have impairments in value that were other than temporary. Investments considered to have other than temporary impairments had a total carrying value of $37,390,000, after writedowns of $7,015,000 (to estimated net realizable value), and an estimated market value of $22,759,000 at June 30, 1992. Five of these securities, with a total carrying value of $21,660,000 and an estimated total market value of $12,233,000, were in default at June 30, 1992. The carrying value of fixed maturity investments considered to have other than temporary impairments represented 0.9% of total investments, 0.8% of total assets, and 10.7% of total stockholders' equity at June 30, 1992.

During the first six months of 1992, the Company's assessment of the net realizable value of one security which had previously been identified as having an impairment in value that was other than temporary indicated that the net realizable value of this security had declined. As a result, the Company recognized a pre-tax loss of $3,436,000 to reduce the carrying value of this investment to its estimated net realizable value. During the first quarter of 1992, the Company determined that a security, with a carrying value of $8,000,000 and an estimated market value of $5,360,000, had an impairment in value that was other than temporary. During the second quarter of 1992, the Company determined that an additional security, with a carrying value of $7,058,000 and an estimated market value of $3,850,000, had an impairment in value that was other than temporary. The Company's analysis of the expected nondiscounted cash receipts from these securities indicates that write-downs are not necessary at this time. Rather, the effect of the impairment in value will be recognized through decreased yields on these investments in future periods.

During the first six months of 1992, the Company sold $82,055,000 of below investment grade securities, as rated by Standard & Poor's and Moody's, and reinvested the proceeds in investment grade securities. These sales were designed to enhance the overall quality of the Company's investment portfolio to continue to meet current and expected future asset quality requirements of insurance consumers and regulators.

Primarily as a result of the sales discussed above, the Company's total investment in below investment grade securities (using the higher rating by Moody's or Standard & Poor's) declined by $86,416,000 from $332,657,000 or 9.9% of the portfolio at December 31, 1991 to $246,241,000 or 6.4% of the portfolio at June 30, 1992. Losses of $4,278,000 were recognized in the first six months of 1992 through sales of these securities.

The use of nondiscounted cash flows to evaluate net realizable value may result in lower realized losses in the current period than if the Company had elected to use discounting in its evaluation process. Additionally, the rate of return actually realized by the Company on investments whose value suffers an impairment that is other than temporary is less than the yield to maturity at the date of original purchase. This lower rate of return results from a downward adjustment in expected cash flows from the investment. The yield recognized in future periods on these investments may also be less than yields recognized on other investments or those yields expected when the securities were originally purchased. With respect to the Company's investment in the seven issuers identified as having a decline in value that is other than temporary, and having a carrying value at June 30, 1992 of $37,390,000, the Company would have recorded interest income of $2,807,000 (a 12.5% annualized yield) during the first six months of 1992 if the financial position of the issuer had not deteriorated to a level such that the decline in value was judged to be other than temporary. During the first six months of 1992, a reduction in interest income of $500,000 (a negative 2.5% annualized yield on average carrying value) was actually recorded with respect to these investments, as a result of the reversal of accrued interest income related to the securities which were determined to have an other than temporary impairment in value during the first six months of 1992. Based upon the Company's current estimates of cash flows to be received from these seven issuers, the Company anticipates recording income of $1,321,000 (a 3.5% yield on average carrying value) for the full year ended December 31, 1992. The effect of a decline in interest income and portfolio yield on the Company's net income in future periods will depend on many factors, including the level of interest rates credited to policyholder account balances, other policy benefits, interest rates in general, and tax rates.

High yield investments, as well as other investments, are being monitored on an ongoing basis and future events may occur, or additional or updated information may be received, which may necessitate further write-downs of securities in the Company's portfolio. Significant write-downs in the carrying value of investments could materially adversely affect the Company's net income in future periods.

At June 30, 1992, the Company's high yield portfolio had a yield to maturity of 10.1% compared to 9.5% for the Company's corporate investment grade portfolio. A further reduction in the amount of the Company's investments in high yield securities could have a negative impact on the Company's operating results. The size of such impact would depend on many factors, including the magnitude of the reduction, the yield of alternative investments, and the interest rate credited to policyholder account balances.

During the first quarter of 1992, the Company sold $36,333,000 of mortgage-backed securities issued by agencies of the federal government. These securities were sold because they were subject to higher than expected prepayments causing the duration of the securities to shorten and resulting in a mismatch with the duration of the liabilities they were intended to support. The proceeds from these sales were reinvested in conventional mortgage-backed securities which have characteristics similar to the securities sold but which provide greater protection from prepayments. The Company recognized gains of $1,742,000 through sales of these securities.

Aggregate pre-tax gains from sales and writedowns of fixed maturity investments totaled $4,825,000 for the second quarter and $2,770,000 for the six months ended June 30, 1992 compared to losses of $3,019,000 and $4,239,000, respectively, for the same periods in 1991.

Mortgage loans make up approximately 5.6% of the Company's investment portfolio. This percentage is approximately one-third of the percentage typically found in a domestic life insurance company. The Company has added only a small number of new issues to its mortgage loan portfolio in the past several years and, primarily as a result of regular principal payments, mortgages outstanding declined to $218,455,000 from $221,804,000 during the six months ended June 30, 1992. The Company has resumed active mortgage lending to broaden its investment alternatives, and does not expect this asset category to decline significantly in the future. The Company's mortgage loan portfolio includes 245 loans with an average size of $892,000 and average seasoning of 15 years. The Company's mortgage loans are typically secured by occupied buildings in major metropolitan locations and not speculative developments, and are diversified by type of property and geographic location. At June 30, 1992, the yield on the Company's mortgage loan portfolio was 9.7%.

Distribution of these loans by type of collateral and geographic location is as follows:

	# of Loans	Carrying Value	% of Mortgage Portfolio
Collateral Breakdown		(Dollars in thousands)	
Farm	5	$ 240	0.1%
Multi-family residential	13	28,385	13.0%
Industrial	150	89,546	41.0%
Office buildings	34	50,121	22.9%
Retail	41	39,165	18.0%
Other	2	10,998	5.0%
TOTAL	245	$218,455	100.0%

	# of Loans	Carrying Value	% of Mortgage Portfolio
Geographic Breakdown		(Dollars in thousands)	
New England	3	$ 1,250	0.6%
Middle Atlantic	20	10,341	4.7%
South Atlantic	27	25,571	11.7%
East North Central	77	66,278	30.3%
West North Central	12	14,907	6.8%
East South Central	11	9,531	4.4%
West South Central	18	25,935	11.9%
Mountain	5	5,016	2.3%
Pacific	72	59,626	27.3%
TOTAL	245	$218,455	100.0%

By limiting its exposure to the New England and Mountain regions, the Company has avoided some of the well-publicized problems experienced by other lenders. At June 30, 1992, 3.2% of the commercial mortgage portfolio, or $7,004,000, was delinquent by 90 days or more. In addition, the Company holds $9,933,000 in foreclosed real estate. The Company does not expect to incur material losses from these investments since it has been able to recover over 81% of the principal amount of problem mortgages that have been resolved in the last three years.

In total, the Company has experienced a relatively small number of problems with its total investment portfolio, with only 0.7% of the Company's investments in default at June 30, 1992. The Company estimates its total investment portfolio, excluding policy loans, had a market value equal to 104.3% of carrying value for accounting purposes at June 30, 1992.

Accrued investment income increased $3,805,000 from December 31, 1991 to June 30, 1992 as a result of the increase in new fixed income investments and in the overall size of the portfolio. Notes and other receivables increased $37,861,000 due to an increase in amounts receivable for securities sold for which the Company has not yet received the proceeds. Deferred policy acquisition costs increased $40,341,000 over year-end 1991 levels as the deferral of current period costs (primarily commissions) incurred to generate insurance and annuity sales and premiums continued to exceed the amortization of costs deferred in previous periods. At June 30, 1992, the Company had total assets of $4,594,243,000, an increase of 8.6% over total assets at December 31, 1991.

In conjunction with the volume of insurance and annuity sales and premiums, and the resulting increase in business in force, the Company's liability for policy liabilities and accruals increased $435,578,000 or 12.4% during the first six months of 1992. Total consolidated debt decreased $5,794,000 during this period and amounted to $89,542,000 at June 30, 1992. Other liabilities increased $53,843,000 from year-end 1991 levels primarily as the result of an increase in the liability for investments purchased but not yet paid for. At June 30, 1992, the Company had total liabilities of $4,243,564,000 compared to $3,908,581,000 at December 31, 1991, an 8.6% increase.

Total life insurance in force (at face amounts), at June 30, 1992 amounted to $8,657,251,000 compared to $8,391,732,000 at December 31, 1991, a 3.2% increase. Universal life insurance in force totalled $4,057,677,000 compared to $3,955,898,000 at year end 1991, a 2.6% increase. At June 30, 1992, universal life and interest sensitive insurance represented 55.7% of total insurance in force; traditional non-participating insurance, including term, represented 30.5%; and participating insurance represented 13.8%.

At June 30, 1992, stockholders' equity was $350,679,000, or $24.47 per share, compared to $322,780,000 or $22.71 per common share at year end 1991. The ratio of consolidated debt to total capital was 20.3% at June 30, 1992, down from 22.8% at year-end 1991 as stockholders' equity increased and operating cash flows were used to reduce commercial paper notes outstanding. At June 30, 1992, there were 14,332,019 common shares outstanding compared to a pro-forma restated 14,214,088 shares at December 31, 1991.

The effects of inflation and changing prices on the Company are not material since insurance assets and liabilities are primarily monetary. An effect of inflation, which has been low in recent years, is a decline in purchasing power when monetary assets exceed monetary liabilities.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of the Company are met by cash flow from insurance and annuity premiums, investment income, and maturities of fixed maturity investments and mortgage loans. The Company primarily uses funds for the payment of insurance and annuity benefits, operating expenses and commissions, and the purchase of new investments. No material capital expenditures are planned.

The Company also issues short-term debt, including commercial paper notes, for working capital needs and to provide short term liquidity. At June 30, 1992 the Company had $28,774,000 in commercial paper notes outstanding, a decrease of $6,026,000 from December 31, 1991 as operating cash flows were used to reduce this debt. To enhance short term liquidity and back up its outstanding commercial paper notes, the Company has a $104,000,000 credit agreement with six banks which terminates August 23, 1993. To reduce the risk of rising short-term interest rates, the Company has entered into interest rate swap agreements with four banks wherein the Company pays a fixed rate of interest and receives a floating short-term rate of interest tied to prime commercial paper or LIBOR rates. The total notional amount of these swap agreements is $50,000,000 and the average fixed interest rate is 9.07%. The expiration dates of these agreements range from August 1993 to December 1995.

Since Equitable of Iowa Companies is a holding company, funds required to meet its debt service requirements, dividend payments and other expenses are primarily provided by its subsidiaries. The ability of the Company's insurance subsidiaries to pay extraordinary dividends and other distributions to the Company is restricted by state law. Equitable Life could pay additional dividends to the Company of approximately $45,752,000 during the remainder of 1992 which would not be considered extraordinary dividends. The National

Association of Insurance Commissioners has imposed new limits on shareholder dividends which are to be effective October 31, 1993. If these limits had been in effect at June 30, 1992, additional dividends Equitable Life could pay to the Company during the remainder of 1992 which would not be considered extraordinary and subject to disapproval would have been limited to $17,421,000. These limits are controversial and the matter is under study by regulators. Also, the amount by which stockholder's equity stated in conformity with generally accepted accounting principles exceeds the statutory capital and surplus of Equitable Life is restricted and cannot be distributed. The terms of certain credit arrangements currently require the Company to maintain certain net worth levels. At June 30, 1992, $62,245,000 of retained earnings were free of restrictions and could be distributed to the Company's public stockholders.

Developing and writing increased volumes of insurance and annuity business requires increased amounts of capital and surplus for the Company's insurance operations including amounts in excess of those which may be realized from operating results. The Company may also expand its insurance operations through acquisition of blocks of business from other insurance companies, or through the acquisition of an insurance company. Potential sources of capital to fund this growth include: (i) issuance of additional common stock, (ii) issuance of additional debt, and (iii) proceeds from the sale of the Company's retail subsidiary. To improve the liquidity and attractiveness of its common stock to investors and to improve the Company's access to the equity marketplace, the Company has taken a number of steps. The Company has increased the number of authorized shares of its common stock from 16,250,000 to 35,000,000 shares, consolidated its two classes of common stock into one class having full voting rights, and declared a two-for-one stock split. On April 29, 1992, the Company sold its retail subsidiary, Younkers, through a public stock offering and received net proceeds from the sale of approximately $50,000,000 after taxes. In addition to these funds, the Company expects to be able to generate an additional $10,000,000 from cash flows from operations and/or through issuance of debt while maintaining its consolidated debt to total capital ratio at or below approximately 20%.

The Company's insurance subsidiaries are assessed contributions by life and health guaranty associations in almost all states to indemnify policyholders of failed companies. In some states, such assessments are offset by reductions in future premium taxes. The amount of these assessments in prior years has not been material. Recent failures of substantially larger companies could result in future assessments in material amounts. During the fourth quarter of 1991, the Company established a reserve of $21,049,000 which was partially offset by $5,678,000 of expected future premium tax credits. During the first six months of 1992, the Company has not received any additional information which would allow the estimation of future assessments for insurance company failures not yet reserved for, or to adjust its estimate of future assessments covered by the reserve already established.

RESULTS OF OPERATIONS

Life insurance sales (at face amounts) totaled $355,823,000 in the second quarter and $667,484,000 in the first six months of 1992, 28.1% and 26.5% increases over sales of $277,853,000 and $527,567,000 in the comparable periods of 1991. This growth in life insurance sales was primarily generated through sales of the Company's term life products. Sales of the Company's term life products increased to $177,999,000 in the second quarter and $340,375,000 in the first half of 1992, 156.2% and 149.6% increases over sales of $69,465,000 and $136,364,000, respectively, a year ago. The Company's new term life products are more competitively priced than in prior periods and, as a result, sales have increased both in terms of aggregate sales and as a percentage of total life insurance sales. Sales of the Company's universal life products amounted to $132,772,000 in the second quarter and $245,984,000 in the first half of 1992, 11.1% and 12.7% declines from sales of $149,322,000 and $281,842,000 in the same periods last year. Universal life sales represented 37.3% and term life sales represented 50.0% of all life sales in the second quarter of 1992 compared to 53.7% and 25.0%, respectively, in the second quarter of 1991. Universal life sales represented 36.9% and term life sales represented 51.0% of all life sales in the first six months of 1992 compared to 53.4% and 25.8%, respectively, in the first six months of 1991. Annuity sales increased to $222,028,000 in the second quarter and $409,385,000 in the first half of 1992, 96.7% and 91.7% increases over sales of $112,904,000 and $213,549,000 in the comparable periods of 1991. Annuity sales were positively impacted by several factors. First, early 1992 sales were positively impacted by an increase in demand for tax deferred annuities caused by the President's Budget Proposal for Fiscal 1992 which included a provision which would have eliminated the deferral of taxation of the earnings of non-qualified annuities. The President's proposal is no longer being actively considered. Second, the quality of the Company's investment portfolio and its overall financial strength has created an increase in demand for the Company's annuity products by consumer's who are seeking a more secure return on their retirement savings. Third, low short-term interest rates have made annuity products more attractive than other savings options, such as bank certificates of deposit.

Premiums from traditional life insurance products declined $1,119,000 to $11,595,000 in the second quarter and $2,330,000 to $23,708,000 in the first six months of 1992, while universal life insurance and investment product charges increased $563,000 and $1,219,000 for the same periods, as the Company's marketing efforts continued to focus on the sale of deferred annuities and interest-sensitive life insurance. As a result of increased annuity sales, premiums attributable to universal life insurance and investment products, and thus not included in revenue, increased $137,445,000 to $263,978,000 in the second quarter and $240,068,000 to $480,705,000 in the first six months of 1992. Net investment income increased $11,896,000 to $88,041,000 in the second quarter and $21,614,000 to $172,412,000 in the first six months of 1992 due to the increase in invested assets. The Company's investment portfolio, excluding policy loans, had a yield to maturity of 9.3% at June 30, 1992, compared to 10.0% at June 30, 1991, reflecting a general decline in interest rates, and a reduction in the percentage of the portfolio invested in high yield bonds. The effect of this decline in portfolio yield on the Company's net income will depend on many factors, including the level of interest rates credited to policyholder account balances. During the second quarter and first six months of 1992, the Company had realized gains on the sale of investments of $4,573,000 and $5,336,000 compared to losses of $3,426,000 and $4,643,000 in 1991. In total, revenues increased $18,530,000, or 19.1%, to $115,327,000 in the second quarter and $28,530,000, or 14.7%, to $222,904,000 in the first six months of 1992.

Total insurance benefits and expenses increased $7,948,000, or 10.1%, to $86,568,000 in the second quarter and $14,690,000, or 9.3%, to $172,322,000 in the first six months of 1992. Interest credited to universal life and investment product account balances increased

$9,486,000 and $18,071,000, respectively, as a result of higher account balances associated with those products. Death benefits on traditional life products and benefit claims incurred in excess of account balances decreased $2,042,000 in the second quarter and $3,883,000 in the first half as a result of more favorable mortality experience. Most of the Company's new policies are treated as universal life or investment products for accounting purposes and changes in reserves for these products do not effect net income. The Company's lapse ratio for life insurance measured in terms of face amount and using A.M. Best's formula, was 8.1% in the first six months of 1992 compared to 9.0% last year. The lapse ratio for the Company's annuity products, as calculated by dividing average aggregate surrenders and withdrawals by average aggregate account balances, was 8.6%, on an annualized basis, for the six months ended June 30, 1992 compared to 4.6% in the first half of 1991. An increase in annuity surrenders is anticipated by the Company as this block of business matures. Most of the Company's annuity products have surrender charges which are designed to discourage early withdrawals and to allow the Company to recover a portion of the expenses incurred to generate annuity sales in the event of early withdrawal. Certain policies, totalling $243,300,000 in account values, had a "bailout" feature which allowed policyholders to withdraw their account balance without penalty should credited rates fall below predetermined levels. The decline in general interest rates and in the Company's portfolio yield caused the Company to reduce the rate of interest credited to its annuity account balances below these "bailout" levels in the second quarter. As a result, 22%, or $53,600,000, of annuity policies with a "bailout" feature surrendered during the second quarter of 1992 causing much of the increase in the overall lapse ratio for the Company's annuity products. Without the lapses on "bailout" products, the Company's annuity lapse rate would have been 4.3%. The increase in annuity lapses will not have a material impact on earnings, since interest rates credited to new sales are lower than on the "bailout" policies being surrendered. As a result of the Company's rate actions less than 1% of annuity reserves are now subject to a "bailout" provision.

Commissions increased $12,203,000 in the second quarter and $21,952,000 in the first half as sales of annuity products increased. This increase was offset by an increase in the deferral of such policy acquisition costs, and thus had very little impact on total insurance expenses. The amortization of deferred policy acquisition costs increased due to the increase in the deferred policy acquisition cost asset.

Operating income of continuing operations (income excluding net realized gains and losses) increased 17.5% in the second quarter of 1992, to $12,616,000, or $0.88 per share, from $10,738,000, or $0.76 per share, in the second quarter of 1991. First half 1992 operating earnings increased 14.8%, to $23,506,000, or $1.65 per share, from $20,484,000, or $1.45 in the first half of 1991. The Company recognized realized gains on the sale of investments (net of tax) of $4,570,000, or $0.32 per share, in the second quarter and $5,289,000, or $0.37 per share in the first six months of 1992 compared to realized losses of $3,313,000, or $0.23 per share, and $4,529,000, or $0.32 per share, in the same periods of 1991. As a result, income from continuing operations before the cumulative effect of the change in accounting principle for income taxes improved to $17,186,000, or $1.20 per share, in the second quarter and $28,795,000, or $2.02 per share in the first six months of 1992 compared to $7,425,000, or $0.53 per share in the second quarter and $15,955,000, or $1.13 per share in the first six months of 1991. The Company sold its interest in the Younkers department store chain on April 29, 1992 for approximately $50,000,000 after taxes. As a result, retail operations are treated as a discontinued operation in the accompanying financial statements. The Company intends to use the proceeds of the sale to support the growth of its insurance business either through increased policy sales or acquisition of additional business. Currently, these funds are invested in short-term investments which have a lower yield than that which the Company earns on the capital supporting its insurance operations. Income from discontinued operations during the first six months of 1992 amounted to $1,924,000, or $0.14 per share, which was comprised of a $3,182,000 operating loss and a $5,106,000 after-tax gain on disposal. The Company reported a loss from discontinued operations during the first six months 1991 of $3,792,000, or $0.27 per share.

Net income was $22,584,000, or $1.58 per share, for the second quarter and $30,719,000, or $2.16 per share, for the first six months of 1992, compared to $7,610,000, or $0.54 per share, in the second quarter and $21,607,000, or $1.53 per share in the first six months of 1991. During the fourth quarter of 1991, the Company implemented a new accounting standard for accounting for income taxes. This accounting change was treated as a cumulative effect adjustment effective January 1, 1991 and, therefore, the financial statements for the first six months of 1991 have been restated to incorporate the effect of this accounting change. The effect of this accounting change was to increase first half 1991 income by $9,444,000 or $0.67 per share.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the ordinary course of business, the Company and its subsidiaries are engaged in routine litigation. Management believes it is unlikely that the outcome of any pending litigation will have a material adverse effect on the Company's financial condition.

As previously reported, the Internal Revenue Service has completed its field examination of the income tax returns of the Company and its subsidiaries for the years 1985, 1986, and 1987 and has issued a report proposing various adjustments aggregating approximately $17,500,000 of tax, interest and penalties. The Company has protested many of the proposed adjustments. Management believes that adequate accruals have been made and that resolution of the matter should have no material adverse effect on the Company.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) and (c) April 30, 1992 Shareholder Meeting results were reported in the Quarterly Report on Form 10-Q for the quarter ended March 31, 1992.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10(i) 1992 Stock Incentive Plan

10(j) James E. Luhrs Consulting Agreement dated May 1, 1992

(b) A report on Form 8-K was filed April 30, 1992 reporting effectiveness of the Company's Plan of Reversion and Shareholder Rights Plan.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 11, 1992	EQUITABLE OF IOWA COMPANIES

By/s/ P. E. Larson
Senior Vice President and CFO
(Principal Financial Officer)

By/s/ D. A. Terwilliger
Controller
(Principal Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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By
Q-Data
Corporation
St. Petersburg, FL

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 0-2904

First Western Financial Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

88-0085953
(I.R.S. Employer Identification No.)

2700 West Sahara Avenue, Las Vegas, Nevada
(Address of principal executive offices)

89102
(Zip Code)

Registrant's telephone number, including area code (702) 871-2000

____
Former name, former address and former fiscal year, if changed since last report.

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No _____.

Number of shares of common stock outstanding at August 11, 1992 : 6,213,903

Total number of pages contained in this document: 13

FIRST WESTERN FINANCIAL CORPORATION

FORM 10-Q

June 30, 1992

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Interim financial statements required by this item are included as follows:

	Page
Condensed Statement of Consolidated Financial Condition as of June 30, 1992 and December 31, 1991	3
Condensed Statement of Consolidated Operations for Six Months ended June 30, 1992 and 1991	4
Condensed Statement of Consolidated Operations for Three Months ended June 30, 1992 and 1991	5
Condensed Statement of Consolidated Cash Flows for Six Months ended June 30, 1992 and 1991	6
Notes to Condensed Consolidated Financial Statements	7

FIRST WESTERN FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL CONDITION AS OF JUNE 30, 1992 AND DECEMBER 31, 1991
(In thousands, except share data) (Unaudited)

ASSETS	June 30, 1992	December 31, 1991
CASH AND DUE FROM BANK	$ 21,533	$ 14,461
FEDERAL FUNDS SOLD	51,128	9,876
INVESTMENT SECURITIES (Market Value - $36,330 at June 30, 1992, and $44,421 at December 31, 1991)	35,081	42,765
LOANS RECEIVABLE, Net	346,472	388,141
LOANS HELD FOR SALE - At lower of cost or market (Note 3)	3,898	26,765
MORTGAGE-BACKED SECURITIES, Net (Market Value - $213,380 at June 30, 1992, and $247,883 at December 31, 1991)	216,281	248,685
REAL ESTATE OWNED	18,733	26,672
INTEREST RECEIVABLE	5,838	7,290
PREMISES AND EQUIPMENT, Net	12,751	12,164
INVESTMENT IN FEDERAL HOME LOAN BANK STOCK - at cost	6,377	8,779
GOODWILL	63	441
INCOME TAXES RECEIVABLE	1,400	1,800
OTHER ASSETS	2,036	3,803
TOTAL	$721,591	$791,642

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 1992	December 31, 1991
DEPOSITS	$645,410	$685,686
DEPOSITS HELD FOR SALE	31,834	25,606
ADVANCES FROM FEDERAL HOME LOAN BANK		40,000
OTHER LIABILITIES AND ACCRUED EXPENSES	6,955	6,715
DEFERRED INCOME TAXES	3,030	2,141
Total	687,229	760,148
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value: Authorized - 30,000 shares; Issued - none		
Serial Preferred stock, $25 par value: Authorized - 1,000,000 shares; Issued - none		
Common stock, $1 par value: Authorized - 30,000,000 shares; Issued-6,452,422 shares at June 30, 1992 and December 31, 1991	6,452	6,452
Additional capital	31,518	31,518
Accumulated deficit	(1,809)	(4,677)
Total	36,161	33,293
Treasury stock - at cost, 238,519 common shares	(1,799)	(1,799)
Total	34,362	31,494
TOTAL	$721,591	$791,642

See the accompanying notes to condensed consolidated financial statements.

FIRST WESTERN FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATED OPERATIONS
FOR SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(In thousands, except for share data)
(Unaudited)

	June 30,	
	1992	1991
INTEREST INCOME:		
Interest on loans	$ 19,112	$ 24,223
Interest on mortgage-backed securities	7,511	23,205
Interest on investments	2,515	4,886
Total	29,138	52,314
INTEREST EXPENSE:		
Interest on deposits	18,448	29,499
Interest on borrowings	176	14,509
Total	18,624	44,008
NET INTEREST INCOME	10,514	8,306
PROVISION FOR LOAN LOSSES	130	52
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,384	8,254
NONINTEREST INCOME:		
Loan and consumer banking fees	763	816
Income from operation and sale of real estate	443	686
Recovery on non-investment grade securities at lower of cost or market		889
Provision for losses - real estate owned		(1,950)
Gain from sale of loans	447	
Gain from sale of mortgage-backed securities		2,329
Other	105	35
Total	1,758	2,805
NONINTEREST EXPENSE	7,603	9,519
INCOME BEFORE INCOME TAXES	4,539	1,540
PROVISION FOR INCOME TAXES	1,671	1,075
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	2,868	465
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		(36,850)
NET INCOME (LOSS)	$ 2,868	$(36,385)
EARNINGS PER COMMON SHARE:		
Income before cumulative effect of change in accounting principle	.46	.08
Cumulative effect of change in accounting principle		(5.93)
Net income (loss)	$ .46	$ (5.85)

See the accompanying notes to condensed consolidated financial statements.

FIRST WESTERN FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATED OPERATIONS
FOR THREE MONTHS ENDED JUNE 30, 1992 AND 1991
(In thousands, except for share data)
(Unaudited)

	June 30,	
	1992	1991
INTEREST INCOME:		
Interest on loans	$ 9,198	$ 11,896
Interest on mortgage-backed securities	3,559	12,254
Interest on investments	1,454	1,910
Total	14,211	26,060
INTEREST EXPENSE:		
Interest on deposits	8,561	14,548
Interest on borrowings	43	7,221
Total	8,604	21,769
NET INTEREST INCOME	5,607	4,291
PROVISION FOR LOAN LOSSES	80	52
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,527	4,239
NONINTEREST INCOME:		
Loan and consumer banking fees	377	432
Income from operation and sale of real estate	296	405
Recovery on non-investment grade securities at lower of cost or market		389
Provision for losses - real estate owned		(1,950)
Gain from sale of loans	39	
Gain from sale of mortgage-backed securities		816
Other	10	3
Total	722	95
NONINTEREST EXPENSE	3,896	4,587
INCOME BEFORE INCOME TAXES	2,353	(253)
PROVISION FOR INCOME TAXES	871	431
NET INCOME (LOSS)	$ 1,482	$ (684)
NET INCOME (LOSS) PER COMMON SHARE	$ .24	$ (.11)

See the accompanying notes to condensed consolidated financial statements.

FIRST WESTERN FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

(In thousands)
(Unaudited)

	June 30,	
	1992	1991
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 8,632	$ 4,857
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturing certificates of deposit		40,000
Proceeds from maturities of investments	78,405	41,574
Investment in certificates of deposit	(29,250)	(10,000)
Purchase of investments	(41,438)	(10,040)
Proceeds from sale of investments		1,830
Net decrease (increase) in federal funds sold	(41,252)	21,923
Principal collected on loans	68,840	45,993
Principal collected on mortgage-backed securities	32,162	40,864
Mortgage-backed securities purchased	(966)	(347,991)
Loans originated or purchased	(32,793)	(9,012)
Proceeds from sales of loans	35,541	
Real estate development costs	(25)	(1,475)
Capital expenditures	(1,001)	(12)
Proceeds from sales of mortgage-backed securities		189,110
Proceeds from sales of real estate owned	1,665	297
Proceeds from sale of FHLB stock	2,600	
Net cash provided by investing activities	72,488	3,061
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposit accounts	(34,048)	18,444
FHLB advance payments	(40,000)	(28,200)
Dividends paid		(560)
Proceeds from exercise of stock options		67
Net cash used in financing activities	(74,048)	(10,249)
NET INCREASE (DECREASE) IN CASH	7,072	(2,331)
CASH AT BEGINNING OF PERIOD	14,461	14,541
CASH AT END OF PERIOD	$ 21,533	$ 12,210

See the accompanying notes to condensed consolidated financial statements.

FIRST WESTERN FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FORM 10-Q

June 30, 1992

1. The accompanying condensed consolidated financial statements have been prepared by the Company and are unaudited except for the consolidated balance sheet as of December 31, 1991. The financial statements have been prepared in accordance with generally accepted accounting principles, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments (of a normal recurring nature) which are necessary for a fair presentation of the results for the interim periods presented. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to such rules and regulations. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's report on Form 10-K for the fiscal year ended December 31, 1991.

   The Condensed Statement of Consolidated Operations for the six months ended June 30, 1992, is not necessarily indicative of the results that will be achieved for the entire year.

2. Earnings per common share are computed based on the weighted average number of common shares outstanding (6,213,903 for the six months ended June 30, 1992, and six months ended June 30, 1991).

3. At March 31, 1992, First Western Bank entered into an agreement to sell the outstanding credit card accounts. This transaction is scheduled to close during the third quarter of 1992. The remainder of loans held for sale represents single family, fixed-rate residential loans of $1,620,000, which have a market value which approximates book value.

4. Deposits held for sale of $31,834,000 represent the Wenatchee, Incline, and Tacoma branches. The Tacoma branch sale closed on July 10, 1992. The Wenatchee and Incline branch sales are expected to close in the third and fourth quarter, respectively.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The following discussion highlights only items relating to liquidity and capital resources that are significant or material changes since December 31, 1991.

First Western's primary sources of funds consist of customer deposits, the collection of principal and interest payments on loans and mortgage-backed securities and the sale of loans and mortgage-backed securities.

For the period ended June 30, 1992, the Company's principal funding source was scheduled loan payments, loan prepayments, and sale of loans in the secondary market.

First Western uses its capital resources primarily to meet its commitments to fund maturing savings certificates and savings withdrawals, repay borrowings, fund existing and continuing loan commitments, maintain its liquidity and meet operating expenses. For the period ended June 30, 1992, the Company's liquidity and funding sources were principally used to pay off $40 million in FHLB advances. During the six month period ending June 30, 1992, deposits decreased by $34 million and loan prepayments increased due to the current low interest rate environment.

The decrease of 30% in real estate owned was primarily the result of sale of the Kellogg Lakes apartments in metropolitan Portland, Oregon for $7.6 million. A new loan of $6.4 million was originated on the Kellogg Lakes apartment complex.

The increase in premises and equipment is due to the acquisition of a new building for the Decatur branch. The branch was relocated on July 20, 1992. First Western also opened a temporary facility on August 3, 1992 to better serve the Northwest area of Las Vegas. The permanent facility (Rainbow Ridge branch) is expected to be completed in 1993.

The sale of the Tacoma, Washington branch closed on July 10, 1992, and the sale of the Wenatchee, Washington branch is scheduled to close on September 25, 1992. This is consistent with the Company's business strategy to focus its retail operations in Nevada.

A Bank's liquidity is measured, for regulatory purposes, by the ratio of liquid assets to the sum of withdrawable deposits, plus borrowings payable within one year. This percentage, which has been 5% in recent years, is a regulatory minimum established and changed from time to time by the Office of Thrift Supervision ("OTS"). The qualified regulatory liquidity percentage was 16.02% for the Bank and 7.45% for FWW for June 1992.

Dividends from the Bank constitute the Company's primary source of funds. However, due to prior regulatory restrictions and the substantial reduction in the Bank's earnings in 1991, no dividends were paid by the Bank during 1991 and to date in 1992. In addition, the Bank's ability to pay dividends is subject to a number of regulatory restrictions. In management's opinion, such restrictions will not impair First Western's ability to meet its liquidity needs. At June 30, 1992, both the Bank and FWW exceeded the three required capital ratios and were in compliance with the qualified thrift lender test. The following table summarizes the regulatory capital compliance levels of FWB at June 30, 1992:

FWB	Actual	Required	Excess
	(dollars in thousands)		
Tangible capital	$33,413	$10,810	$22,603
Tangible capital ratio	4.64%	1.50%	3.14%
Core capital	$33,476	$21,621	$11,855
Core capital ratio	4.64%	3.00%	1.64%
Risk-based capital	$34,938	$24,937	$10,001
Percent of risk-weighted assets	10.09%	7.20%	2.89%

Material Changes in Results of Operations

The Company's earnings increased from $465,000 before cumulative effect of change in accounting principle in the first six months of 1991 to net income of $2.9 million in the first six months of 1992.

Net Interest Income

Net interest income after provision for loan losses increased by $2.1 million or 26% in the first six months of 1992 compared to the first six months of 1991. Following is a table presenting an analysis of interest-earning assets and resultant yields, and interest-bearing liabilities and related interest expense, expressed in dollars and rates, and the net interest spread.

(Dollars in thousands)	Six Months Ended June 30, 1992 Average Balances(1)	Interest	Yield/ Rate	1991 Average Balances(1)	Interest	Yield/ Rate
Interest-earning assets:						
Loans & mortgage-backed securities	$ 604,465	$26,623	8.81%	$ 962,776	$47,428	9.85%
Investments	86,178	2,391	5.55	120,791	4,311	7.14
Other interest-earning assets	7,718	124	3.21	18,068	575	6.36
Total	$ 698,361	29,138	8.34	$1,101,635	52,314	9.50
Interest-bearing liabilities:						
Deposits	$ 693,208	18,448	5.32	$ 807,133	29,499	7.31
FHLB advances	4,258	89	4.18	317,142	14,439	9.11
Other borrowed money	1,317	86	13.06	1,325	70	13.00
Total	$ 698,783	18,623	5.33	$1,125,600	44,008	7.82
Net interest income		$10,515			$ 8,306	
Net interest spread			3.01%			1.68%
Net yield on interest-earning assets			3.01%			1.51%

(1) Average balances were computed using daily balances.

As reflected in the preceding table, the change in net interest income is the result of a combination of factors.

The average balance of interest-earning assets decreased by $403 million or 37% in the first six months of 1992 compared to the first six months of 1991. This decrease is due to the intentional reduction of short-term, lower yielding investments primarily resulting from balance sheet restructuring during 1991. The average balance of loans and mortgage-backed securities ("MBS") decreased by $358 million or 37% for the six months ended June 30, 1992, compared to the same period in 1991. This decrease is primarily due to management's decision to downsize and strengthen regulatory capital ratios. The decrease in interest earning assets and interest income of $23 million for the six months ending June 30, 1992, compared to the same period in 1991, is the result of the downsizing and the lower yield due to response to the lower interest rate environment.

Interest income on investments decreased by $1.9 million or 45% in the six months ended June 30, 1992, compared to the same period in 1991. The decrease in interest income on investments is largely due to a decrease of $35 million in the average investment balance for the first six months of 1992 compared to the first six months of 1991. The decrease in the average investment balance relates to the investment shift from short-term investments due to the lower interest rates. In addition, the investment yield decreased by 159 basis points during the first six months of 1992 compared to the same period in 1991, which as discussed, is reflective of the overall trend in market interest rates.

Other interest earning assets average balance decrease of $10 million or 57% in the six months ended June 30, 1992, compared to the same period in 1991, is due to the sale of FHLB stock in the latter part of 1991 and in 1992 primarily because of its lower dividend rates. The yield on FHLB stock from the Federal Home Loan Bank of San Francisco decreased by 320 basis points from June 1991 to June 1992.

In a comparison of the first six months of 1992 and 1991, total interest expense related to interest-bearing liabilities decreased by $25 million or 58% from 1991 to 1992. This decrease is consistent with the decrease in total interest-bearing liabilities. Interest expense on deposits decreased by $11 million or 37% in the six months ended June 30, 1992 compared to the like period in 1991. A decrease in the average balance of deposits in the first six months of 1992 compared to 1991 affects the decrease in deposit interest expense along with the cost of deposits decreasing by 199 basis points due to the drop in market interest rates.

The Company continues to experience some deposit outflow during 1992. The average balance of deposits declined by $113 million or 14% in the six months ended June 30, 1992, compared to the like period of 1991. The primary factors contributing to this decrease are the sale in December 1991 of the Company's deposits in Oregon branches and declining market rates which have caused the public to seek other, higher yielding investments.

The average balance of FHLB advances decreased by $313 million or 99% and related interest costs decreased by 493 basis points in a comparison of the first six months of 1992 and 1991. These changes primarily relate to the Company's restructuring during 1991 and the resultant prepayment of FHLB advances.

The net interest spread increased by 133 basis points in the six months ended June 30, 1992, compared to the same period in 1991. The cost of deposits decreased by 199 basis points while the yield on loans and MBS decreased by 104 basis points. The difference between interest-earning assets and interest-bearing liabilities improved at June 30, 1992, as the result of the Kellogg Lake Apartments sale which converted a nonearning asset to an interest-earning asset of $7.6 million.

Noninterest Income

Noninterest income decreased by $1 million or 37% in the first six months of 1992 compared to the same period of 1991. Fluctuations in components of noninterest income, generally of a nonrecurring nature, significantly impacted the results of operations for the first six months of 1992 and 1991. The six months ended June 30, 1992, includes profit from the sale of loans of about $447,000. Income from operation and sale of real estate of $443,000 in 1992 includes a loss of $43,000 resulting from the net effect of the Kellogg Lakes sale and operating expenses of Kellogg Lakes apartments in 1992. Real estate income of $686,000 in 1991 was largely comprised of income from real estate operations with no material gains or losses from real estate sales. The first six months of 1991 included an increase of $889,000 in the market value of non-investment grade securities. These securities were classified as non-investment grade in the fourth quarter of 1990 and, accordingly, had been classified as held for sale. During the first six months of 1991, as part of the Company's restructuring program to reduce exposure to interest-rate risk, fixed-rate MBS of $183 million were converted to adjustable-rate MBS resulting in a gain of $2.3 million.

Noninterest Expenses

Noninterest expenses decreased by $1.9 million or 20% in the six months ended June 30, 1992, compared to the six months ended June 30, 1991. The first six months of 1992 compared to the first six months of 1991 includes a $934,000 decrease in amortization of goodwill and the effect of additional cost containment efforts that the Company has implemented. The first six months of 1991 included expenses of about $400,000 related to the potential acquisition of the Company which was unexpectedly terminated in February 1991.

Quarter Ended June 30, 1992

Net earnings reflect income of $1,482,000 for the second quarter of 1992 compared to a loss of $684,000 for the second quarter of 1991. Fluctuations in net interest income for the second quarter of 1992 and 1991, respectively, are the primary reasons for the increase in net earnings as indicative of the overall trend in market interest rates and the Company's 1991 restructuring. The second quarter of 1991 includes certain provisions for losses on real estate of $2 million, which included $1.4 million related to a 4.8% interest in foreclosed property in Dallas, Texas, and $600,000 related to the Kellogg Lakes apartment project in Oregon. During the second quarter of 1991, the Company's noninvestment grade securities (Bally Grand 1st mortgage bonds) were sold realizing an appreciation in value of $389,000 since March 31, 1991. As part of the interest-rate risk restructuring program, certain fixed-rate MBS were sold in the second quarter of 1991, resulting in a net gain of $816,000. Noninterest expense decreased by $691,000 or 15%, which is primarily due to the decrease in amortization of goodwill as previously discussed.

Asset/Liability Management

Savings institutions are subject to interest-rate risk to the degree that their interest-bearing liabilities, consisting principally of deposits, FHLB advances and other borrowings, mature or reprice more rapidly, or on a different basis, than their interest-earning assets, which consist predominantly of intermediate or long-term real estate loans. While having liabilities that mature or reprice more frequently on average than assets may be beneficial in times of declining interest rates, such an asset/liability structure may result in declining net earnings during periods of rising interest rates, unless offset by increases in noninterest income. One of First Western's primary financial objectives is to manage the interest rate risk inherent in its business by reducing the sensitivity of its earnings to interest rate fluctuations, improving its interest rate spread, improving the ratio of its interest-earning assets to interest-bearing liabilities and achieving a better matching of the maturities and interest rate sensitivities of its assets and liabilities. The Company's primary emphasis during 1992 to reduce exposure to interest-rate risk is the focus on origination of principally adjustable-rate loans for retention in its portfolio.

FIRST WESTERN FINANCIAL CORPORATION

PART II. OTHER INFORMATION

ITEM 1. Litigation

First Western is plaintiff in an action filed against the Steiner Corporation - James L. Lewis, Trustee of the James L. Lewis and Mary Ann Lewis 1977 Living Trust; John H. Kerr, Jr. and Majorie A. Kerr, Trustees of the John H. Kerr 1978 Living Trust; A.J. Smith; and Ernst & Whinney in District Court, Clark County, Nevada.

Defendants have been granted a new trial as of April 21, 1992. As a result of this decision, the Court released the defendant's $5,000,000 which had been deposited in a court-supervised trust account. First Western has filed notice of intent to appeal this decision.

ITEM 6. Exhibits and Reports on Form 8-K

No report on Form 8-K was filed during the quarter covered in this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST WESTERN FINANCIAL CORPORATION

/s/ Catherine A. Sourk
Catherine A. Sourk
Senior Executive Vice President,
Treasurer, and Principal Financial Officer

August 13, 1992
Date

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 1992

or

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period from ____________ to ____________

Commission File Number: 0-17923

GATEWAY FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	06-1272400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
383 Main Avenue, Norwalk, Connecticut	06851
(Address of principal executive offices)	(Zip Code)

(203) 845-7700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

Indicate the number of shares outstanding for the issuer's classes of common stock, as of the latest practicable date.

Common Stock (par value $.01)	7,424,619 Shares
(Class)	(Outstanding Shares as of July 31, 1992)

GATEWAY FINANCIAL CORPORATION

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Consolidated Balance Sheet at June 30, 1992 and December 31, 1991 2

Consolidated Statement of Operations For The Three Months and Six Months Ended June 30, 1992 and June 30, 1991 3

Consolidated Statement of Changes in Stockholders' Equity For The Six Months Ended June 30, 1992 and 1991 4

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GATEWAY FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

	June 30, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash and Cash Equivalents:		
Cash and due from banks	$ 33,035	$ 29,537
Federal funds sold	18,400	30,710
Total Cash Equivalents	51,435	60,247
Mortgage-backed securities (market value $82,165 in 1992 and $79,847 in 1991)	81,788	82,494
Investment securities (market value $69,193 in 1992 and $123,868 in 1991)	65,603	120,105
Federal Home Loan Bank stock	14,694	14,694
Loans	1,124,702	1,150,698
Unearned income	(7,122)	(7,781)
Allowance for loan losses	(26,916)	(28,182)
Net Loans	1,090,664	1,114,735
Accrued income receivable	11,462	11,584
Premises and equipment, net	9,972	11,150
Other real estate owned, net	54,536	63,356
Income taxes receivable	78	2,805
Other assets	33,990	15,783
Total Assets	$1,414,222	$1,496,953
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Interest-bearing	$1,223,543	$1,297,070
Non-interest bearing	47,349	44,732
Total Deposits	1,270,892	1,341,802
Advances from Federal Home Loan Bank	50,000	60,000
Mortgagors' escrow accounts	7,088	6,813
Other liabilities	6,572	11,948
Total Liabilities	1,334,552	1,420,563
Contingencies and commitments: Note D		
Stockholders' Equity:		
Common stock, $.01 par value: authorized 20,000,000 shares; issued 8,008,619 shares in 1992 and 8,006,619 shares in 1991	80	80
Paid-in capital	56,383	56,379
Retained earnings	26,183	22,907
Treasury stock, at cost, 584,000 shares	(2,976)	(2,976)
Total Stockholders' Equity	79,670	76,390
Total Liabilities and Stockholders' Equity	$1,414,222	$1,496,953

See Notes to Consolidated Financial Statements.

GATEWAY FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)
(In Thousands, Except Per-Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1992	1991	1992	1991
Interest and dividend income:				
Loans, including fees	$24,269	$22,003	$49,694	$44,064
Mortgage-backed securities	1,117	656	2,502	2,424
Investment securities:				
Taxable interest	966	1,536	2,553	3,117
Tax-exempt interest	5	27	9	67
Dividends	342	345	706	617
	1,313	1,908	3,268	3,801
Other	823	167	1,060	384
Total interest and dividend income	27,522	24,734	56,524	50,673
Interest expense:				
Deposits	13,568	13,993	28,964	28,576
Borrowed funds	879	3,234	1,932	6,986
Total interest expense	14,447	17,227	30,896	35,562
Net interest income	13,075	7,507	25,628	15,111
Provision for loan losses	3,600	2,000	6,700	4,500
Net interest income after provision for loan losses	9,475	5,507	18,928	10,611
Other income:				
Service charges and other	2,687	805	4,507	1,574
Net security gain (loss)	(16)	62	(413)	363
Net gain on sales of mortgages	760	1,340	2,254	1,340
Total other income	3,431	2,207	6,348	3,277
Operating expenses:				
Salaries and benefits	3,879	3,228	7,650	6,329
Occupancy and equipment	1,542	1,593	3,118	2,985
FDIC insurance assessment	637	437	1,274	873
Net other real estate owned and loan workout expenses	3,680	2,897	6,100	5,191
Other	2,085	1,382	3,741	2,645
	11,823	9,537	21,883	18,023
Income (loss) before income taxes and extraordinary credit	1,083	(1,823)	3,393	(4,135)
Income tax provision (benefit)				
Current	117	(952)	117	(1,917)
Deferred		269	830	382
	117	(683)	947	(1,535)
Income (loss) before extraordinary credit	966	(1,140)	2,446	(2,600)
Extraordinary credit from utilization of tax loss carryforwards			830	
Net income (loss)	$ 966	$(1,140)	$ 3,276	$(2,600)
Income (loss) per share before extraordinary credit	$ .13	$ (.15)	$ .33	$ (.35)
Extraordinary credit per share			.11	
Net income (loss) per share	$ .13	$ (.15)	$ .44	$ (.35)

See Notes to Consolidated Financial Statements.

GATEWAY FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(Dollars In Thousands)

1992	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock
Balance at December 31, 1991	$80	$56,379	$22,907	$(2,976)
Net income			3,276	
Stock options exercised		4		
Balance at June 30, 1992	$80	$56,383	$26,183	$(2,976)

1991	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock
Balance at December 31, 1990	$80	$56,379	$38,010	$(2,757)
Net loss			(2,600)	
Purchase of 109,500 treasury shares				(219)
Balance at June 30, 1991	$80	$56,379	$35,410	$(2,976)

See Notes to Consolidated Financial Statements.

GATEWAY FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Six Months Ended June 30,	
	1992	1991 (a)
OPERATING ACTIVITIES		
Net income (loss)	$ 3,276	$ (2,600)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Extraordinary credit from utilization of tax-loss carryforwards	(830)	
Provision for loan losses	6,700	4,500
Provision for depreciation and amortization	588	697
Net amortization of security discounts and premiums	1,273	1,446
Amortization of deferred mortgage origination fees	(213)	(461)
Provision for other real estate owned	450	1,065
Mark-to-market writedowns of insubstance foreclosures and other real estate owned	3,849	1,783
Deferred income taxes	830	382
Security losses (gains)	413	(363)
Decrease in interest receivable	122	937
(Decrease) in interest payable	(2,747)	(1,575)
Decrease in income taxes receivable	8,806	6,601
Realized gain on sale of premises and equipment	(122)	
Realized gain on mortgage sales	(2,254)	(1,340)
Realized deferred revenue	(725)	
Other net	(3,306)	(1,660)
Net cash provided by operating activities	16,110	9,412
INVESTING ACTIVITIES		
Proceeds from sales of securities	5,514	16,691
Proceeds from maturities of securities	72,544	16,549
Purchases of securities	(35,020)	(15,307)
Purchase of residential mortgages	(19,740)	(32,545)
Loans originated net of principal collected	(21,936)	(13,363)
Purchases of premises and equipment	(1,651)	(194)
Proceeds from sale of premises and equipment	2,363	
Proceeds from loan sales	47,696	38,281
Capital expenditures for other real estate owned	(2,585)	(3,953)
Proceeds from sale of other real estate owned	8,524	7,077
Net cash provided by investing activities	55,709	13,236
FINANCING ACTIVITIES		
Net increase (decrease) in deposits and escrow accounts	(70,635)	7,629
Proceeds from borrowings	0	355,863
Payments for borrowings matured and paid	(10,000)	(392,400)
Proceeds from exercise of stock options	4	
Purchase of treasury stock		(219)
Net cash used for financing activities	(80,631)	(29,127)
Decrease in cash equivalents	(8,812)	(6,479)
Cash and cash equivalents at January 1	60,247	40,305
Cash and cash equivalents at June 30	$ 51,435	$ 33,826

(a) Certain reclassifications have been made to conform to the 1992 presentation.

See Notes to Consolidated Financial Statements.

GATEWAY FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note A - Basis of Presentation

The accompanying unaudited consolidated financial statements of Gateway Financial Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly,they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, in the opinion of management, all adjustments (consisting of normal-recurring accruals) considered necessary for fair presentation have been included. Operating results for the six-month period ended June 30, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. The balance sheet at December 31, 1991 has been derived from audited financial statements at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

Note B - Income Taxes

The Company's effective tax rate differs from the statutory federal rate for the six-month period ended June 30, 1992, principally due to loan loss provisions made for qualifying loans and loan workout expenses. Tax benefits are not recognized for loan loss provisions exceeding the amount calculated using the experience method.

Note C - Earnings Per Share

Earnings per share have been computed, based on the weighted-average number of shares outstanding. Average shares outstanding for the three-month periods ended June 30, 1992 and 1991 were 7,424,476 and 7,422,619, respectively. Weighted-average shares outstanding for the six-month periods ended June 30, 1992 and 1991 were 7,423,822 and 7,436,647, respectively. Fully-diluted earnings per share did not differ significantly from primary earnings per share in any period.

Note D - Contingencies and Commitments

Citizens National Bank (Citizens), a former wholly-owned subsidiary of Gateway Bank which was merged in December 1986 with and into the Bank, is named as one of approximately 75 defendants in a complaint commenced in April 1988 by M. Bassman Abaza, J.S., et al., currently pending before the U.S. District Court for the Southern District of New York. The complaint claims significant damages arising from an alleged fraud in connection with the formation of and conduct of business of certain real estate limited partnerships, some of which partnerships maintained deposit accounts with Citizens. Plaintiffs' counsel advised the court that it will dismiss the complaint against those peripheral defendants who unknowingly participated in the events in question. Plaintiffs' counsel has advised the Bank's counsel that plaintiffs' counsel intends to file appropriate documents with the court dismissing the action against the Bank. In the opinion of management, based on its understanding of the allegations set forth in the complaint, its own internal investigation, and court proceedings to date, this action will not have any materially adverse effect on the Company's financial position.

Other than the action mentioned above, there are no other pending legal proceedings other than ordinary routine litigation incidental to the business of the Company, including a civil action commenced in March 1992 by a borrower, to which the Company is a party or to which any of its properties are subject. In the opinion of management, these matters will not have a material adverse effect on the Company's financial position.

GATEWAY FINANCIAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

Gateway Financial Corporation ("Gateway" or the "Company"), the holding company for Gateway Bank (the "Bank"), reported net income for the three months ended June 30, 1992 of $966,000, or net income per share of $.13, and net income of $3.3 million for the six months ended June 30, 1992, or net income per share of $.44. Included in the 1992 results is an extraordinary credit of $830,000, or $.11 per share, recognized during the quarter ended March 31, 1992, from the utilization of income tax net operating loss carryforwards. For the three and six-month periods ended June 30, 1991, Gateway reported net losses of $1.1 million, or a net loss per share of $.15, and $2.6 million, or a net loss per share of $.35, respectively. The improved results are due to the significant increase in core earnings, partly due to the acquisition of selected assets and the assumption of certain liabilities of the Bank Mart from the Federal Deposit Insurance Corporation (the "FDIC") in December 1991, increased gains on sales of residential mortgage loans, and also to a more favorable interest rate environment.

Net Interest Income:

Net interest income for the three months ended June 30, 1992 was $13.1 million, which represented a 74% increase over the $7.5 million reported for the comparable three-month period in 1991. Net interest income for the six months ended June 30, 1992 was $25.6 million, compared to $15.1 million for the six-month period in 1991, a 70% increase. As shown in the tables that follow, average interest-earning assets were $1.277 billion, and had a weighted average yield of 8.62% during the quarter ended June 30, 1992, compared to average interest-earning assets of $1.015 billion during the same quarter last year that yielded 9.75%. Average interest-bearing liabilities also reflect a significant increase in 1992, primarily due to The Bank Mart acquisition previously mentioned. For the three-month period ended June 30, 1992, average interest-bearing liabilities were $1.293 billion, and had a weighted average rate of 4.47%, compared to $1.022 billion during the same quarter last year that had a weighted average rate of 6.74%. The increase in volumes of funds employed by Gateway and the decrease in rates in 1992 result in the significant increase in net interest income and net interest rate spread. Spread for the quarter ended June 30, 1992 was 4.15%, compared to 3.01% during the same quarter last year.

For the six months ended June 30, 1992, average interest-earning assets were $1.299 billion, and yielded 8.70%, compared to $1.029 billion for the same period last year with a yield of 9.84%. Average interest-bearing liabilities reflect the same significant increase in the 1992 six-month period at $1.306 billion, having a weighted average rate of 4.73%, compared to $1.031 billion in 1991, which had a weighted average rate of 6.90%. This results in a net interest rate spread of 3.97% for the six-month period in 1992, compared to a spread of 2.94% for the same period in 1991. Prevailing interest rates are expected to remain at their present levels for at least the remainder of 1992, thus allowing Gateway to sustain the high levels of net interest income and net interest rate spread.

Three Months Ended
June 30,
(Dollars in Thousands)

	1992			1991		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
ASSETS						
Loans	$1,112,209	$ 24,269	8.73%	$ 878,049	$ 22,003	10.02%
Mortgage-backed securities	75,471	1,117	5.92	35,262	656	7.44
Investment securities	68,890	1,585	9.20	90,104	1,908	8.47
Other investments	20,467	551	10.77	11,517	167	5.80
Total interest-earning assets	1,277,037	27,522	8.62	1,014,932	24,734	9.75
Non interest-earning assets	155,906			131,924		
TOTAL	$1,432,943			$1,146,856		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Savings deposits	$ 214,912	$ 3,206	5.97%	$ 119,323	$ 1,635	5.48%
Other interest-bearing deposits	1,022,686	10,362	4.05	725,391	12,358	6.81
Advances from Federal Home Loan Bank	50,002	789	6.31	173,566	3,151	7.26
Securities sold under agreements to repurchase and other borrowings	5,230	90	6.88	4,030	83	8.24
Total interest-bearing liabilities	1,292,830	14,447	4.47	1,022,310	17,227	6.74
Non interest-bearing liabilities	60,520			34,872		
Stockholders' equity	79,593			89,674		
Total	$1,432,943			$1,146,856		
Net interest income		$ 13,075			$ 7,507	
Net interest rate spread			4.15%			3.01%
Net yield on interest-earning assets			4.10%			2.96%

Six Months Ended
June 30,
(Dollars in Thousands)

ASSETS	1992			1991		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
Loans	$1,104,585	$ 49,694	9.00%	$ 880,049	$ 44,064	10.01%
Mortgage-backed securities	82,663	2,502	6.05	44,255	2,424	10.95
Investment securities	89,470	3,540	7.91	92,794	3,801	8.19
Other investments	22,073	788	7.14	12,382	384	6.20
Total interest-earning assets	1,298,791	56,524	8.70	1,029,480	50,673	6.20
Non interest-earning asset	142,199			125,885		
TOTAL	$1,440,990			$1,155,365		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Savings Deposits	$ 201,741	5,007	4.96%	$ 116,869	3,185	5.45
Other interest-bearing deposits	1,044,694	23,957	4.59	729,010	25,391	6.97
Advances from Federal Home Loan Bank	54,946	1,737	6.32	175,580	6,616	7.54
Securities sold under agreements to repurchase and other borrowings	5,010	195	7.80	9,655	370	7.66
Total interest-bearing liabilities	1,306,391	30,896	4.73	1,031,114	35,562	6.90
Non interest-bearing liabilities	55,993			33,879		
Stockholders' equity	78,606			90,372		
Total	$1,440,990			$1,155,365		
Net interest income		$ 25,628			$ 15,111	
Net interest rate spread			3.97%			2.94%
Net yield on interest-earning assets			3.95%			2.94%

Provision for Loan Losses:

Because a substantial portion of Gateway's loans are collateralized by both residential and commercial real estate in depressed markets, primarily Fairfield County in Connecticut, the collectibility and recovery of loans outstanding are particularly susceptible to market conditions and market values in Fairfield County. Gateway is maintaining its allowance for loan losses at a level believed adequate by management to absorb potential losses in the loan portfolio through provisions to the allowance. Also, the Company performs quarterly reviews of selected loans in determining the appropriate level of the allowance for loan losses.

Provisions for loan losses were $3.6 million during the three months ended June 30, 1992, and $6.7 million for the six-month period. The provisions last year were $2.0 million, and $4.5 million for the three and six-month periods ended June 30, 1991, respectively. Net charge-offs were $5.6 million for the quarter, and $8.0 million for the six months ended June 30, 1992. The allowance for loan losses at June 30, 1992 was $26.9 million, and represented 2.41% of total loans and 42.7% of non-accruing loans and loans delinquent ninety days or mores.

Changes in the allowance for loan losses for the six months ended June 30, 1992 and 1991 are as follows:

	Residential Mortgage	Commercial & Construction Mortgage	Commercial	Consumer	Total
Balance at January 1, 1992	$7,881	$10,971	$ 4,878	$ 4,452	$28,182
Charge-offs	(254)	(2,591)	(3,791)	(1,628)	(8,264)
Recoveries	2		199	97	298
Net charge-offs	(252)	(2,591)	(3,592)	(1,531)	(7,966)
Provision for loan losses	50	2,300	3,900	450	6,700
Balance at June 30, 1992	$7,679	$10,680	$ 5,186	$ 3,371	$26,916
Balance at January 1, 1991	$4,579	$ 8,192	$ 7,548	$ 4,392	$24,711
Charge-offs	(242)	(874)	(2,477)	(1,868)	(5,461)
Recoveries	32		405	49	486
Net charge-offs	(210)	(874)	(2,072)	(1,819)	(4,975)
Provision for loan losses	325	1,325	1,700	1,150	4,500
Balance at June 30, 1991	$4,694	$ 8,643	$ 7,176	$ 3,723	$24,236

Other Income:

Gateway's other income is also significantly higher in 1992, due primarily to fixed-rate mortgage sales and to fees earned for servicing and collecting loans and other real estate for the FDIC on an interim basis in connection with the Bank Mart transaction. This interim servicing ended at June 30, 1992. Other income was $3.4 million for the three months ended June 30, 1992, and $6.3 million for the six-month period. In 1991, other income was $2.2 million, and $3.3 million for the three and six-month periods, respectively. Realized gains on sales of mortgages were $760,000 for the quarter ended June 30, 1992, and $2.3 million for the six-month period, compared to $1.3 million for both the quarter and six-month period in 1991.

Operating Expenses:

Operating expenses were also substantially higher in 1992, as a result of the acquisition of six Bank Mart bank offices and to higher other real estate owned and loan workout expenses. Total operating expenses were $11.8 million for the quarter, and $21.9 million for the six-month period in 1992, compared to $9.5 million, and $18.0 million for the three and six-month periods in 1991, respectively. Net other real estate owned and loan workout expenses were $3.7 million, and $6.1 million for the three and six months ended June 30, 1992, respectively, compared to $2.9 million and $5.2 million in the comparable 1991 periods. Increases in salaries and benefits, occupancy and equipment expenses, and FDIC deposit insurance premiums were a direct result of the Bank Mart acquisition.

Income Taxes:

Because of Gateway's return to profitability, income tax provisions of $117,000 and $947,000 were recorded during the three and six-month periods ended June 30, 1992, compared to net tax benefits of $683,000 and $1.5 million recorded during the comparable three and six-month periods in 1991. During the first quarter of 1992, an extraordinary credit of $830,000 which resulted from the utilization of net operating loss carryforwards was recorded.

Asset Quality:

Management's quarterly review of selected loans includes all loans classified as non-accrual, loans ninety days or more delinquent, construction loans, and those loans with special credit risks. Loans are normally classified as non-accrual whenever the payment of interest or principal is more than ninety days past due or when principal and accrued interest receivable exceed the realizable value of the loan in cash from the borrower or in the underlying collateral, should foreclosure or repossession be necessary. Insubstance foreclosed assets represent loan situations where foreclosure proceedings are expected, or the borrower retains little or no equity in the underlying real estate, or the repayment of the loan is expected only from the sale or operations of the property.

At June 30, 1992, non-performing assets totaled $125.6 million, compared to $130.7 million at March 31, 1992 and $124.9 million at December 31, 1991.

The components of net loans, non-performing loans, and total non-performing asset data for the periods indicated are as follows (in thousands):

	June 30, 1992	December 31, 1991	June 30, 1991
Residential mortgage	$ 711,218	$ 706,966	$536,235
Commercial and construction mortgage	163,227	173,026	113,940
Commercial	141,978	154,597	145,881
Consumer	101,157	108,328	92,093
	1,117,580	1,142,917	888,149
Allowance for loan losses	(26,916)	(28,182)	(24,236)
	$1,090,664	$1,114,735	$863,913

Non-performing loans and total non-performing assets for the periods indicated are as follows (dollars in thousands):

	June 30, 1992	December 31, 1991	June 30, 1991
Non-performing loans:			
Loans delinquent 90 days or more and still accruing	$ 968	$ 838	$ 3,596
Non-accruing loans	62,064	53,751	54,863
Total	63,032	54,589	58,459
Restructured loans	8,079	6,905	
Total non-performing loans	71,111	61,494	58,459
Other real estate owned:			
By foreclosure	20,404	21,307	26,341
Insubstance foreclosure	34,132	42,049	49,862
Total other real estate owned	54,536	63,356	76,203
Total non-performing assets	$ 125,647	$ 124,850	$134,662
Net charge-offs	$ 7,966	$ 17,329	$ 4,975
Provision for loan losses	6,700	12,800	4,500
Allowance for loan losses	26,916	28,182	24,236
Ratio of the allowance for loan losses to loans delinquent over 90 days and non-accruing loans	42.7%	51.6%	41.5%

Foreclosed and insubstance repossessed real estate were written down by $2.7 million during the second quarter of 1992, and $3.5 million year-to-date.

Liquidity and Capital Resources

The Company has demonstrated the ability to generate adequate funds to meet current and future operating needs. At June 30, 1992, cash and due from banks, federal funds sold, and investment securities with maturities of one year or less totaled $82.9 million, or 6.2% of all deposits and borrowings. Deposits payable on demand or maturing within one year and borrowings due within one year amounted to $1.13 billion, or 85% of the $1.32 billion in total deposits and borrowings. The Company does not expect to experience an outflow of the deposits that mature within one year that would significantly affect liquidity.

Maturities of certificates of deposit of $100,000 or more outstanding at June 30, 1992 are as follows (in thousands):

3 months or less	$18,436
Over 3 through 6 months	11,859
Over 6 through 12 months	16,499
Over 12 months	7,279
Total	$54,073

The Bank is a member of the Federal Home Loan Bank of Boston (FHLB) and as such, may borrow from the FHLB to secure additional funds. At June 30, 1992, the Bank has obtained $50 million in advances from the FHLB. The outstanding advances are collateralized by a blanket assignment of assets. The Bank is allowed to borrow amounts up to the value of selected available collateral. The approximate value of this collateral at June 30, 1992 was $605 million.

The Company also has 20,000,000 shares of authorized common stock and 1,000,000 shares of no-par-value preferred stock. As of June 30, 1992, no preferred stock was issued, and 7,424,619 common shares were outstanding, net of 584,000 treasury shares. The remaining unissued common and preferred shares are another potential source of capital for the Company.

Interest Rate Risk:

Gateway has sought to reduce interest rate risk by emphasizing assets that are short-term in nature or that reprice periodically. During 1992, the Bank has sold $45.7 million of fixed-rate residential mortgages into the secondary market, and has purchased $19.7 million of variable-rate mortgages. By increasing its level of rate-sensitive assets, Gateway reduces the potential volatility of net interest income as interest rates fluctuate.

The Company measures interest rate risk using a gap analysis, which is the difference between interest-earning assets and interest-bearing liabilities that mature or reprice within one year. Rate-sensitive loans include all loans that mature or reprice within one year, excluding non-performing loans, and deposits include only certificates of deposit that mature within one year. Gateway's one-year gap data in dollars and as a percent of total assets at June 30, 1992 compared to December 31, 1991 is as follows (dollars in thousands):

	June 30, 1992		
	Rate Sensitive	Total	%
INTEREST-EARNING ASSETS			
Loans	$ 513,406	$1,090,664	47.1%
Mortgage-backed securities		81,788	
Investment securities	10,594	65,603	16.1
Other investments	34,006	34,006	100.0
Other	$ 558,006	$1,272,061	43.9%
INTEREST-BEARING LIABILITIES			
Deposits	$ 757,364	$1,223,543	61.9%
Advances from Federal Home Loan Bank	20,000	50,000	40.0
Other borrowings		7,088	
Total	$ 777,364	$1,280,631	60.7%
Gap ($)	$(219,358)		
Gap to total assets	(15.5)%		

	December 31, 1991		
	Rate Sensitive	Total	%
INTEREST-EARNING ASSETS			
Loans	$ 577,899	$1,114,735	51.8%
Mortgage-backed securities	20,200	82,494	24.5
Investment securities	61,065	120,105	50.9
Other investments	45,924	46,023	99.8
Total	$ 705,088	$1,363,357	51.7%
INTEREST-BEARING LIABILITIES			
Deposits	$ 827,145	$1,297,070	63.8%
Advances from Federal Home Loan Bank	30,000	60,000	50.0
Securities sold under agreements to repurchase and other borrowings		6,813	
Total	$ 857,145	$1,363,883	62.8%
Gap ($)	$(152,057)		
Gap to total assets	(10.2)%		

The Company also seeks to improve its negative gap position by resolving non-performing asset situations and redeploying these funds into interest-earning, rate-sensitive assets.

Financial Condition:

Total assets of Gateway were $1.4 billion at June 30, 1992, compared to total assets of $1.5 billion at December 31, 1991. Although a strategy of growth through acquisitions has been employed, efforts to maintain adequate capital ratios during the current economic climate have resulted in the use of certain balance sheet reduction measures such as the sale of residential mortgages previously mentioned. In addition, other balance sheet reduction measures have resulted in an $82.7 million decrease in assets since December 31, 1991 and since the acquisition of Bank Mart.

On July 16, 1992, the Board of Directors of Gateway Bank entered into a Memorandum of Understanding ("MOU") with the Regional Director of the Federal Deposit Insurance Corporation ("Regional Director") and the Commissioner of Banking of the State of Connecticut ("Commissioner"), which supersedes the Memorandum of Understanding previously entered into among such parties and which became effective on January 10, 1991. Under the MOU, the Bank's Board of Directors agreed to take necessary steps to achieve certain goals, including, among others, the following: (i) to retain qualified management and develop a written management plan assessing the Bank's management and staffing needs; (ii) to increase the Bank's Tier 1 capital to 5.50% by December 31, 1992 and at least 6% of total assets by December 31, 1993, and develop a written capital plan to address sources of capital; (iii) to not pay or declare any dividends without the prior written consent of the Regional Director and the Commissioner; and (iv) to develop or revise written plans relating to the Bank's allowance for loan losses, its risk position with respect to certain borrowers, loan policies, earnings and profits, liquidity and interest rate risks, and investments.

Gateway Financial Corporation continues to operate under a Memorandum of Understanding entered into with the Federal Reserve Bank of New York (FRB) and the Board of Directors of the Company in December 1990. Pursuant to the Federal Reserve MOU, the Board has agreed not to declare cash dividends or to make significant expenditures, not in the ordinary course of business, without prior written approval of the Federal Reserve, and not to engage in any expansion activities without first consulting with the Federal Reserve.

The Bank, under its MOU, is to follow a plan to increase its Tier 1 or leverage capital ratio. The Company's and the Bank's leverage capital ratios were 5.39% and 5.36%, respectively, at June 30, 1992. Additionally, the Bank is required by the FDIC to maintain a minimum risk-based capital-to-assets ratio of 7.25%, increasing to 8% by December 31, 1992. At June 30, 1992, the Bank's risk-based capital-to-assets ratio was 10.19%. The Federal Reserve has requested that the Company seek to achieve a 6.25% regulatory capital-to-assets (leverage) ratio by September 30, 1992.

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

A) Exhibits

None.

B) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Age of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GATEWAY FINANCIAL CORPORATION

Date: August 13, 1992

/S/ REGINALD DeKOVEN, III
Reginald DeKoven, III
President and Chief Executive Officer

Date: August 13, 1992

/S/ RICHARD A. MARTIN
Richard A. Martin
Vice President and Treasurer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-849

IOWA SOUTHERN UTILITIES COMPANY
(Exact name of registrant as specified in its charter)

Iowa	42-0334900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
300 Sheridan Avenue, Centerville, Iowa	52544
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (515) 437-5200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 1992
Common Stock, $10.00 par value	2,874,274 shares

IOWA SOUTHERN UTILITIES COMPANY

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

BALANCE SHEETS

ASSETS	June 30, 1992 (Unaudited)	December 31, 1991
	(in thousands)	
UTILITY PLANT, at original cost		
Electric	$362,052	$359,324
Gas	28,941	26,406
Common	26,238	24,974
	417,231	410,704
Less accumulated provision for depreciation	161,428	154,706
	255,803	255,998
Construction work in progress	17,506	6,386
	273,309	262,384
CURRENT ASSETS		
Cash and temporary cash investments	1,730	3,998
Accounts receivable		
Service	7,297	10,350
Other	4,683	6,592
Unbilled revenues	3,999	4,499
Fuel, materials and supplies, at average cost	12,299	11,733
Prepayments and other	2,844	3,230
	32,852	40,402
OTHER ASSETS		
Regulatory assets	4,859	4,581
Deferred charges and other	4,140	3,111
	$315,160	$310,478
CAPITALIZATION AND LIABILITIES		
COMMON SHAREHOLDER'S EQUITY		
Common stock, par value $10 per share; Authorized 4,000,000 shares; Outstanding, 2,874,274 shares	$ 28,743	$ 28,743
Premium on common stock	15,123	15,123
Retained earnings	64,717	65,881
	108,583	109,747
REDEEMABLE PREFERRED STOCK		
Par value $30 per share; Authorized 568,311 shares		
Outstanding:		
8-1/2% series, 159,981 shares	4,799	4,799
8-3/4% series, 224,997 shares	6,750	6,750
Current maturities of redeemable preferred stock	(675)	(675)
	10,874	10,874
LONG-TERM DEBT	87,990	88,618
TOTAL CAPITALIZATION	207,447	209,239
CURRENT LIABILITIES		
Current maturities of long-term debt and preferred stock	5,999	5,999
Notes payable to associated companies	2,925	--
Accounts payable	7,960	12,443
Interest accrued	3,792	1,553
Taxes accrued	10,837	11,464
Adjustment clauses	1,509	458
Other	6,317	4,500
	39,339	36,417
OTHER LONG-TERM LIABILITIES		
Environmental liabilities	1,040	740
Other	3,401	676
	4,441	1,416
DEFERRED CREDITS		
Accumulated deferred income taxes	51,940	51,041
Accumulated deferred investment tax credits	11,993	12,365
	63,933	63,406
	$315,160	$310,478

The accompanying Notes to Financial Statements are an integral part of these statements.

STATEMENTS OF INCOME (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	1992	1991	1992	1991	1992	1991
			(in thousands)			
OPERATING REVENUES						
Electric	$ 27,597	$ 35,776	$ 61,768	$ 67,532	$128,829	$131,481
Gas	4,812	3,923	16,128	16,275	29,015	28,017
	32,409	39,699	77,896	83,807	157,844	159,498
OPERATING EXPENSE						
Fuel for production	6,322	8,779	15,611	16,898	30,474	32,465
Purchased power	2,441	5,915	8,473	10,386	18,366	17,769
Gas purchased for resale	3,393	2,174	12,577	11,941	22,204	21,014
Other operating expenses	5,284	4,652	10,885	9,263	22,087	17,799
Maintenance	2,074	2,055	4,867	4,084	8,650	7,164
Depreciation	3,463	3,327	6,871	6,638	13,663	13,052
Income taxes						
Current	532	2,720	2,212	5,286	7,367	12,800
Deferred income taxes, net	294	753	576	1,053	922	300
Amortization of investment tax credit	(186)	(192)	(372)	(384)	(755)	(794)
Property and other taxes	2,613	2,558	5,275	5,102	11,073	9,930
	26,230	32,741	66,975	70,267	134,051	131,499
OPERATING INCOME	6,179	6,958	10,921	13,540	23,793	27,999
OTHER INCOME AND DEDUCTIONS						
Allowance for equity funds used during construction	215	56	347	105	473	244
Miscellaneous, net	181	223	432	662	1,450	1,516
	396	279	779	767	1,923	1,760
INTEREST						
Long-term debt	1,898	1,963	3,850	3,941	7,872	7,882
Other	73	12	394	156	559	328
Allowance for debt funds used during construction	(107)	(29)	(172)	(54)	(236)	(122)
	1,864	1,946	4,072	4,043	8,195	8,088
NET INCOME	4,711	5,291	7,628	10,264	17,521	21,671
Preferred dividend requirements	249	264	499	528	1,013	1,071
NET INCOME AVAILABLE FOR COMMON STOCK	$ 4,462	$ 5,027	$ 7,129	$ 9,736	$ 16,508	$ 20,600

The accompanying Notes to Financial Statements are an integral part of these statements.

STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	1992	1991	1992	1991	1992	1991
			(in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income before preferred dividend requirements:	$ 4,711	$ 5,291	$ 7,628	$ 10,264	$ 17,521	$ 21,671
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Depreciation and amortization	3,463	3,327	6,871	6,638	13,663	13,052
Deferred income taxes and investment tax credits	108	561	204	669	167	(494)
Allowance for equity funds used during construction	(215)	(56)	(347)	(105)	(473)	(244)
Other	11	(163)	307	(166)	132	(247)
OTHER CHANGES IN ASSETS AND LIABILITIES						
Accounts receivable	4,081	2,748	4,962	(354)	1,677	(1,942)
Unbilled revenues	(351)	358	500	1,998	(143)	40
Fuel, materials and supplies	(2,271)	(2,449)	(566)	(251)	16	1,566
Provision for rate refund	487	--	1,986	(1,689)	3,979	--
Accounts payable	(1,928)	(532)	(4,483)	475	(1,558)	3,711
Interest accrued	1,367	(849)	2,239	(80)	2,142	(1,089)
Taxes accrued	(217)	383	(627)	929	(3,176)	6,735
Adjustment clauses	(1,346)	(661)	1,051	194	674	79
Other, net	(398)	(4,900)	2,287	(1,896)	3,426	(3,989)
Net cash flows from operating activities	7,502	3,058	22,012	16,626	38,047	38,849
CASH FLOWS FROM INVESTING ACTIVITIES:						
Construction expenditures	(10,357)	(3,659)	(18,112)	(7,802)	(28,140)	(16,862)
Allowance for equity funds used during construction	215	56	347	105	473	244
Net cash flows from investing activities	(10,142)	(3,603)	(17,765)	(7,697)	(27,667)	(16,618)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Issuance of notes payable	2,925	--	2,925	--	2,925	--
Issuance of long-term debt	2,400	--	2,400	--	23,400	--
Repayment of long-term debt	(2,600)	(200)	(3,048)	(424)	(23,048)	(424)
Preferred stock reacquired	--	--	--	--	(675)	(675)
Dividends paid-common	(3,000)	(4,714)	(8,293)	(10,031)	(18,037)	(18,655)
Dividends paid-preferred	(249)	(264)	(499)	(529)	(1,013)	(1,071)
Net cash flows from financing activities	(524)	(5,178)	(6,515)	(10,984)	(16,448)	(20,825)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	(3,164)	(5,723)	(2,268)	(2,056)	(6,068)	1,406
CASH AND TEMPORARY CASH INVESTMENTS						
at beginning of period	4,894	13,791	3,998	9,854	7,798	6,392
at end of period	$ 1,730	$ 8,068	$ 1,730	$ 7,798	$ 1,730	$ 7,798
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash paid during the periods for:						
Interest	577	2,693	1,913	4,028	5,649	8,938
Income taxes	4,880	4,075	4,947	4,775	11,016	7,187
	$ 5,457	$ 6,768	$ 6,860	$ 8,803	$ 16,665	$ 16,125

The accompanying Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

June 30, 1992

(1) The interim Financial Statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of the Company, the Financial Statements include all normal and recurring adjustments necessary for the fair presentation of the results of operations and financial position.

It is suggested that these Financial Statements be read in conjunction with the Financial Statements and the notes thereto included in the Company's Form 10-K for the year ended December 31, 1991. The accounting and financial policies relative to the following items have been described in those notes and have been omitted herein because they have not changed materially through the date of this report:

Corporate organization

Summary of significant accounting policies

Commitments

Jointly-owned electric utility plant

Segments of business

Pension plans and benefits

Long-term debt (other than the items discussed in Note (4))

Income taxes

(2) Rate Matters:

(a) 1992 Gas Rate Case:

On July 2, 1992, the Company applied to the Iowa Utilities Board (IUB) for an increase in gas rates of $2.3 million annually, or 6.2%. The Company expects the IUB to rule on the request in the second quarter of 1993. The Company requested an interim increase of $2.1 million annually, or 5.8%. Interim rates, at the level approved by the IUB, become effective within 90 days of the filing.

(b) 1991 Electric Rate Decrease:

In September 1991, the Office of Consumer Advocate (OCA) filed a petition with the IUB requesting a reduction in the Company's electric retail rates of approximately $10.1 million, or 10%. In July 1992, the IUB approved a reduction of $4.5 million on an annual basis. The OCA has filed an application for rehearing. ISU believes that it is unlikely that the OCA will prevail in its motion. If the amount of the annual reduction does not change upon rehearing, the Company would be required to refund approximately $4.0 million as of June 30, 1992, plus interest. This amount plus accrued interest has been fully reserved by the Company as of June 30, 1992.

(3) **Preferred Stock:**

The Company has 568,311 shares of Redeemable Preferred Stock, $30 par value, authorized for issuance at June 30, 1992. The 8.50% and 8.75% Series had 159,981 and 224,997 shares, respectively, outstanding at June 30, 1992. These Series also have annual sinking fund requirements of $300,000 and $375,000, respectively, and are redeemable at the option of the Company upon 30 days notice at $31.91 and $31.54 per share, respectively, plus accrued dividends. In July 1992, the Company sent notices of its intention to redeem both Series in September 1992.

(4) **Debt:**

(a) Long-Term Debt

The Company has received FERC authority to issue $50 million of First Mortgage Bonds and intends to make the necessary filings with the SEC to register $50 million and to issue $30 million of First Mortgage Bonds during the third quarter of 1992. The proceeds of the $30 million issue will be used to retire outstanding preferred stock and certain long-term debt.

In the second quarter, $2.4 million of Series 1992 Pollution Control Bonds were issued on behalf of the Company. An additional $1.0 million were issued in July 1992. These bonds have variable interest rates (2.4% at June 30, 1992). $2.4 million matures in 2010 and $1.0 million matures in 2000. The proceeds were used to retire $3.4 million of pollution control obligations with interest rates between 8.50% and 8.75%.

(b) Short-Term Debt

At June 30, 1992, the Company had bank lines of credit aggregating $10.0 million, none of which were being used. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit. The Company also has a letter of credit supporting its variable rate pollution control obligations.

(5) Contingencies:

(a) Environmental Liabilities -

The Company has been named as a Potentially Responsible Party for certain former manufactured gas plant (FMGP) sites by either the Iowa Department of Natural Resources (IDNR) or the Environmental Protection Agency (EPA). The Company is working with the IDNR and EPA to investigate 6 sites and to determine the appropriate remediation activities which may be needed to mitigate health and environmental concerns. Such investigations are expected to be completed by 1999 and site-specific remediations are anticipated to be completed within 3 years after the completion of the investigations of each site. The Company may be required to monitor these sites for a number of years upon completion of remediation.

At June 30, 1992, the Company had recorded $1.0 million of environmental liabilities which, pursuant to generally accepted accounting principles, represents the minimum amount of the estimated range of such costs which the Company expects to incur. The Company is pursuing insurance and third party cost sharing for FMGP clean-up costs. The amount of shared costs, if any, can not be reasonably determined and, accordingly, has not been used to reduce the recorded liability. These estimates are subject to continuing review. Corresponding regulatory assets have been recorded to reflect the recovery which has been provided through rates. Consistent with past rate treatment, management believes that the clean-up costs incurred by the Company for these FMGP sites will not have a material adverse effect on the financial position or results of operations of the Company.

(b) Clean Air Act -

The Clean Air Amendments Act of 1990 (Act) requires some air emissions to be reduced below their 1985 national levels. The Act requires sulfur dioxide emissions to be reduced by 8.9 million tons and nitrous oxide by 2 million tons on a national level. The provisions of the Act will be implemented in two phases; Phase I by 1995 and Phase II by 2000.

The Company expects to meet the requirements of the Act by fuel switching and through capital expenditures primarily related to fuel burning equipment and boiler modifications. The Company estimates capital expenditures of $9 million, of which $1.3 million is expected to be incurred during 1992. Additional Phase II capital expenditures may be required at one generating station.

Item 2. Management's Discussion and Analysis of the Results of Operations and Financial Condition

The following discussion analyzes significant changes in the results of operations and financial condition from the prior periods for the Company.

Results of Operations

The Company's operating income decreased $0.8 million, $2.6 million and $4.2 million during the three, six and twelve months ended June 30, 1992, respectively. The Company's net income available for common stock decreased $0.6 million, $2.6 million and $4.1 million during the three, six and twelve months ended June 30, 1992, respectively. Net income available for common stock was increased for all three periods because of adjustments to previously recorded tax reserves of $1.3 million recorded in the second quarter of 1992.

Electric Operations -

Electric revenues (in millions) and Kwh sales (excluding off-system) increased (decreased) during the three, six and twelve months ended June 30, 1992, from comparable prior periods as follows:

	Revenues	Kwh Sales
Three Months	$(8.2)	2.5%
Six Months	(5.8)	3.2%
Twelve Months	(2.7)	5.5%

The Company's electric tariffs include energy adjustment clauses (EAC) which are designed to currently recover the costs of fuel and the energy portion of purchased power billings to customers.

The primary reasons for the electric revenue decreases for all three periods were the effects of annual electric rate reductions of $3.7 million and $4.5 million which became effective in August 1990 and September 1991, respectively, and lower revenues from off-system sales of $4.8 million, $2.6 million and $2.0 million for the three, six and twelve month periods, respectively. See Note 2(b) of the Notes to Financial Statements for a discussion of the Company's 1991 electric rate decrease. The increase in Kwh sales other than off-system for all three periods is primarily because of increased sales to one large industrial customer. Residential and commercial sales decreased for the three and six month periods because of unseasonably mild weather.

Combined fuel for production and purchased power decreased during all three periods primarily because of the lower off-system sales.

Gas Operations -

Gas revenues, gas purchased for resale and dekatherm (DTH) sales (including transport volumes) increased (decreased) from comparable prior periods as follows:

	Three Months	Six Months	Twelve Months
		($ in millions)	
Gas revenues	$ 0.9	$(0.1)	$ 1.0
Gas purchased for resale	1.2	0.6	1.2
Sales	19.4%	(2.3)%	0.0%

The changes in sales for all three periods are primarily attributable to variations in weather and increases in transported volumes.

The Company's gas tariffs include purchased gas adjustment clauses (PGA) designed to recover the cost of gas purchased for resale on a current basis.

See Note 2(a) of the Notes to Financial Statements for a discussion of a gas rate increase filed in July 1992.

The gas margin decreased $0.3 million, $0.7 million, and $0.2 million for the three, six and twelve month periods, respectively. Such decreases were affected by the changes in sales and refinements in the PGA calculation.

Operating Expenses -

Operating expenses increased in all three periods because of increased wage and benefit costs and, for the six and twelve month periods, increased former manufactured gas plant clean-up costs.

Maintenance expenses increased $0.8 million and $1.5 million for the six and twelve month periods, respectively, primarily because of increased power plant maintenance.

Income taxes decreased $2.6 million, $3.6 million and $4.8 million for the three, six and twelve month periods, respectively, primarily because of changes in taxable income and adjustments to previously recorded tax reserves of $1.3 million recorded in the second quarter of 1992.

Liquidity and Capital Resources

The Company's capital requirements are primarily attributable to its construction program, debt maturities and sinking fund requirements. During the three, six and twelve month periods, internally generated cash (before common dividends) were $7.8 million, $14.2 million and $30.0 million, respectively. Construction expenditures were $10.4 million, $18.1 million and $28.1 million for the three, six and twelve month periods, respectively.

The Company anticipates that future capital requirements will be met by both internally generated cash and external financing. The level of internally generated cash is partially dependent upon economic conditions, legislative activities, environmental matters and timely rate relief. See Note (2) of the Notes to Financial Statements for a discussion of the Company's rate cases. Access to the long-term and short-term capital and credit markets is necessary for obtaining funds externally.

The Company's liquidity and capital resources will be affected by environmental issues, including the ultimate disposition of the FMGP clean-up costs and the Clean Air Act requirements as discussed in Note (5) of the Notes to Financial Statements. Consistent with existing rate making treatment, management believes that the costs incurred for these environmental matters will not have a material adverse effect on the financial position or results of operations of the Company.

During the second quarter of 1992, the FERC issued Order 636 which requires the Company's pipeline suppliers to unbundle their services so that pipeline sales, transportation and storage services are operated and billed as separate and distinct services. The Company's pipeline suppliers are scheduled to file restructured tariffs with the FERC during the fourth quarter of 1992. The Company plans to actively participate in these proceedings. While the final outcome of these proceedings cannot be predicted, the Company believes that the restructured services will not affect its ability to provide reliable service. The restructured services may result in higher purchased gas costs for firm customers and the Company believes that such costs would be recovered from customers under existing rate making treatment.

The IUB has adopted rules which require the Company to spend 2% of electric and 1.5% of gas gross retail operating revenues for energy efficiency programs. Energy efficiency costs in excess of the amount in the most recent electric and gas rate cases are being deferred by the Company. At June 30, 1992, $1.1 million of such costs had been deferred. Ultimate recovery of these costs is anticipated under existing rate making principles.

Construction Program

The Company's construction expenditures during 1992 are expected to approximate $34 million ($18.1 million expended through June).

The Company's levels of construction are projected to be $25 million in 1993, $22 million in 1994, $17 million in 1995 and $62 million in 1996. It is estimated that the Company's internally generated cash before common dividends will exceed construction expenditures for the five year period 1992 - 1996.

The construction program will be modified as necessary for changing economic conditions, legislative and regulatory proceedings, environmental matters and other relevant factors. Additional funds for construction, as well as other capital requirements, are expected to be obtained through external financing.

Long-Term Financing

Other than periodic sinking fund requirements which may be met by pledging additional property, $7 million of long-term debt will mature prior to December 31, 1996. The Company anticipates refinancing the above maturities. In the second quarter, $2.4 million of Series 1992 Pollution Control Bonds were issued on behalf of the Company. An additional $1.0 million was issued in July 1992. These bonds have variable interest rates (2.5% at June 30, 1992). $2.4 million matures in 2010 and $1.0 million matures in 2000. The proceeds were used to retire $3.4 million of pollution control obligations with interest rates between 8.50% and 8.75%.

The Indentures pursuant to which the Company issues First Mortgage Bonds contain covenants which restrict the amount of additional bonds which may be issued. At June 30, 1992, such restrictions would have allowed $89 million of additional First Mortgage Bonds to be issued. The Company has received FERC authority to issue $50 million of First Mortgage Bonds and intends to make the necessary filings with the SEC to register $50 million and to issue $30 million of First Mortgage Bonds during the third quarter of 1992. The proceeds of the $30 million issue will be used to retire outstanding preferred stock and certain long-term debt.

The Articles of Incorporation authorize and limit the aggregate amount of additional shares of Redeemable Preferred Stock which may be issued. At June 30, 1992, the Company could have issued an additional 183,000 shares of Redeemable Preferred Stock.

The Company's capitalization ratios at both June 30, 1992 and December 31, 1991 were as follows:

Long-term debt	43%
Preferred and preference stock	5
Common equity	52
	100%

Short-Term Financing

For interim financing, the Company is authorized by the FERC to issue up to $25 million of short-term notes. This availability of short-term financing provides flexibility in the issuance of long-term securities. The Company had outstanding short-term debt of $2.9 million payable to affiliates at June 30, 1992.

At June 30, 1992, the Company had bank lines of credit aggregating $10 million, of which none were being used. Commitment fees are paid to maintain these lines and there are no conditions which restrict the unused lines of credit. The Company also has a letter of credit supporting its variable rate pollution control obligations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Notes (2) and (5) of the Notes to Consolidated Financial Statements for a discussion of rate proceedings and environmental matters, respectively.

Item 2. Changes in Securities.

None.

Item 3. Default Upon Senior Securities.

None.

Item 4. Results of Votes of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits -

3(b) Amendment to Bylaws of Registrant. (Filed as Exhibit 3(b) of the Company's Form 10-Q for the quarter ended March 31, 1992.

4(a) Reference is made to the Exhibit Index beginning on page 49 in the Company's 1991 Form 10-K for Exhibit Nos. 4(d) - 4(h).

4(i) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Financing Agreement dated as of April 1, 1992, by and between the City of Chillicothe, Iowa and Iowa Southern Utilities Company.

4(j) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Indenture of Trust dated as of April 1, 1992, by and between the City of Chillicothe, Iowa and the Norwest Bank Iowa, National Association, as Trustee.

4(k) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Remarketing, Indexing and

Tender Agreement dated as of April 1, 1992 by and among Iowa Southern Utilities Company, the Trustee, and the Remarketing Agent and Indexing Agent.

4(1) $3,400,000 aggregate principal amount City of Chillicothe, Iowa Pollution Control Revenue Refunding Bonds, Series 1992A and 1992B Reimbursement Agreement dated as April 1, 1992, between Iowa Southern Utilities Company and Swiss Bank Corporation, New York Branch.

(b) Reports on Form 8-K -

The Company filed no reports on Form 8-K since the filing of its latest Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IOWA SOUTHERN UTILITIES COMPANY
(Registrant)

Date August 3, 1992

By Blake O. Fisher, Jr.
(Signature)
Blake O. Fisher, Jr.
Executive Vice President, Chief
Financial Officer and Director

O 11510 K 9/LZ
Q-33503 92-2257

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-12058

KENAN TRANSPORT COMPANY
(Exact name of registrant as specified in its charter)

North Carolina	56-0516485
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

University Square - West, 143 W. Franklin Street
Chapel Hill, North Carolina 27516-3910
(Address of principal executive offices, including Zip Code)

(919) 967-8221
(Registrant's telephone number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 1992
Common stock, no par value	2,359,612

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KENAN TRANSPORT COMPANY

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PART I - FINANCIAL INFORMATION

KENAN TRANSPORT COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

ASSETS	June 30, 1992 (Unaudited)	December 31, 1991 (Note 1)
Current Assets		
Cash and cash equivalents	$ 9,681	$ 9,147
Accounts receivable	3,469	3,622
Operating supplies and parts	945	847
Prepayments-		
Tires	1,327	1,368
Insurance, licenses and other	961	727
Total Current Assets	16,383	15,711
Operating Property		
Land	1,469	1,471
Buildings and leasehold improvements	5,035	4,992
Revenue equipment	40,634	39,302
Other equipment	3,588	3,616
	50,726	49,381
Accumulated depreciation	21,810	21,481
Net Operating Property	28,916	27,900
Other Assets	1,030	1,029
	$46,329	$44,640
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 719	$ 1,094
Wages and employee benefits payable	3,339	2,492
Claims payable	3,408	3,091
Other accrued expenses	234	134
Income taxes payable	167	522
Total Current Liabilities	7,867	7,333
Deferred Income Taxes	5,420	5,540
Stockholders' Equity		
Common stock; no par; 20,000,000 shares authorized; 2,359,612 and 2,355,259 shares issued and outstanding	2,517	2,454
Retained earnings	30,525	29,313
	33,042	31,767
	$46,329	$44,640

The Notes to Consolidated Financial Statements are an integral part of these balance sheets.

KENAN TRANSPORT COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited and dollars in thousands except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1992	1991	1992	1991
Operating Revenue	$12,858	$11,777	$26,329	$23,923
Operating Expenses				
Wages and employee benefits	6,482	6,025	13,237	12,239
Fuel, parts, tires and other	2,532	2,214	5,021	4,557
Taxes and licenses	812	767	1,674	1,552
Insurance and claims	640	638	1,194	1,198
Communications, utilities and rent	257	270	583	529
Depreciation	1,159	1,168	2,337	2,310
	11,882	11,082	24,046	22,385
Operating Income	976	695	2,283	1,538
Interest income and other expenses, net	89	81	175	298
Income before Income Taxes	1,065	776	2,458	1,836
Income taxes	424	314	981	743
Net Income	$ 641	$ 462	$ 1,477	$ 1,093
Weighted average number of shares outstanding	2,359,612	2,355,259	2,357,890	2,355,259
Earnings per share	$ .27	$ .20	$ .63	$ .46
Operating ratio	92.4%	94.1%	91.3%	93.6%
Dividends paid per share	$ .0550	$ .0525	$ .1100	$ .1050

The Notes to Consolidated Financial Statements are an integral part of these statements.

KENAN TRANSPORT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 1992 and 1991
(Unaudited and dollars in thousands)

	1992	1991
Beginning Cash and Cash Equivalents	$9,147	$7,499
Cash Provided by (Applied to):		
Operations	4,152	4,267
Purchase of operating property, net	(3,353)	(4,146)
Dividends	(265)	(254)
Net Increase (Decrease) in Cash and Cash Equivalents	534	(133)
Ending Cash and Cash Equivalents	$9,681	$7,366

The Notes to Consolidated Financial Statements are an integral part of these statements.

KENAN TRANSPORT COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair statement of results for the interim periods.

The balance sheet at December 31, 1991 has been taken from the audited financial statements at that date.

The results of operations for the three and six months ended June 30, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year.

KENAN TRANSPORT COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors that have affected the Company's financial position and operating results during the periods included in the accompanying financial statements.

Results of Operations

Revenue for the second quarter of 1992 was $12,858,000, an increase of $1,081,000 and 9% over the second quarter of 1991. Net income was $641,000, an increase of $179,000 and 39%. Earnings per share were $.27 compared to $.20 in 1991. The increase in revenue for the quarter was attributable to strong demand for transportation of chemicals and propane gas primarily due to growth in business with existing customers.

Revenue for the six months ended June 30, 1992 was $26,329,000, an increase of $2,406,000 and 10% over the first half of 1991. Net income was $1,477,000, an increase of $384,000 and 35%. Earnings per share were $.63 compared to $.46 in 1991.

Operating expenses for the second quarter of 1992 remained under control, increasing 7% on the 9% increase in revenue. Operating costs for the second quarter of 1992 were $11,882,000, a $800,000 increase from the second quarter of 1991. Operating costs for the six months ended June 30, 1992 were $24,046,000, an increase of $1,661,000 from the first half of 1991. Fuel prices increased during the quarter in contrast to an otherwise stable operating cost trend. The Company improved its operating ratio to 92.4% for the quarter and 91.3% for the six month period ended June 30, 1992, compared to 94.1% and 93.6%, respectively, in 1991.

Liquidity and Capital Resources

The Company's financial position at June 30, 1992 remained strong. Working capital was $8,516,000 compared to $8,378,000 at December 31, 1991. The current ratio was 2.08 compared to 2.14 at year end. Cash and cash equivalents totaled $9,681,000 at June 30, 1992, and the Company had no debt outstanding under its $7,000,000 bank line of credit.

The Company continued its program of maintaining a modern, efficient fleet by replacing 65 tractors during the first half of 1992. The cash dividend was increased 5% to an annual rate of $.23 per share effective with the quarterly payment in July. This was the fourteenth consecutive annual increase in the dividend.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) No Exhibits are required to be filed with this report.

(b) No reports on Form 8-K have been filed during the quarter ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KENAN TRANSPORT COMPANY
(Registrant)

DATE: August 10, 1992

BY: /s/ William L. Boone
Vice President-Finance and
Chief Financial Officer

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Corporation
St. Petersburg, FL

[X]

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 1992

OR

[ ]

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File Number 0-8418

OCEANEERING INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	95-2628227
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16001 Park Ten Place, Suite 600, Houston, Texas	77084
(Address of principal executive offices)	(Zip Code)

(713) 578-8868
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓, No ___.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 1992
Common Stock, $.25 Par Value	22,573,092 shares

**BEST COPY
AVAILABLE**

OCEANEERING INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 1992 (unaudited)	March 31, 1992 (audited)
	(in thousands)	
ASSETS		
Current Assets:		
Cash and short-term investments	$ 24,651	$ 23,256
Accounts receivable (net of allowance for doubtful accounts of $1,332,000 at June 30 and $1,312,000 at March 31)	48,056	40,534
Prepaid expenses and other	3,604	3,137
Total Current Assets	76,311	66,927
Property and Equipment, at cost:		
Underwater services equipment	131,795	125,403
Offshore production equipment	29,667	26,801
Buildings, improvements and other	13,432	12,772
	174,894	164,976
Less: Accumulated Depreciation	105,810	99,799
Net Property and Equipment	69,084	65,177
Investments and Other Assets	4,249	4,204
TOTAL ASSETS	$149,644	$ 136,308
LIABILITIES and SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 9,959	$ 9,140
Accrued liabilities	25,717	23,997
Income taxes payable	6,032	5,195
Total Current Liabilities	41,708	38,332
Long-Term Debt	307	331
Other Long-Term Liabilities	12,042	12,439
Shareholders' Equity	95,587	85,206
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$149,644	$ 136,308

See Notes to Consolidated Financial Statements.

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	For the Three Months Ended June 30,	
	1992	1991
	(in thousands, except per share amounts)	
Revenues	$45,588	$43,459
Cost of services	31,573	31,744
Selling, general and administrative expenses	6,875	6,789
Income from operations	7,140	4,926
Interest income (expense), net	(40)	480
Minority interest	(181)	(76)
Other income (expense), net	(57)	159
Income before income taxes	6,862	5,489
Provision for income taxes	(1,450)	(1,450)
Net income	$ 5,412	$ 4,039
Earnings per common share equivalent	$0.24	$0.18
Weighted average number of common share equivalents outstanding	22,871	22,712

See Notes to Consolidated Financial Statements.

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Three Months Ended June 30,	
	1992	1991
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 5,412	$ 4,039
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,702	1,375
Currency translation adjustments	4,689	(2,352)
Decrease (increase) in accounts receivable	(7,522)	(6,901)
Decrease (increase) in prepaid expenses and other current assets	(467)	(597)
Increase (decrease) in current liabilities	3,376	(773)
Increase (decrease) in other long-term liabilities	(397)	(279)
Total adjustments to net income	2,381	(9,527)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,793	(5,488)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,731)	(7,406)
Decrease (increase) in investments	(154)	189
Other	(3,769)	1,699
NET CASH (USED) IN INVESTING ACTIVITIES	(6,654)	(5,518)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(24)	(23)
Proceeds from issuance of common stock	280	177
NET CASH PROVIDED BY FINANCING ACTIVITIES	256	154
NET (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	1,395	(10,852)
CASH AND Short-term INVESTMENTS - BEGINNING OF YEAR	23,256	40,128
CASH AND Short-term INVESTMENTS - END OF PERIOD	$ 24,651	$ 29,276

See Notes to Consolidated Financial Statements.

OCEANEERING INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation and Significant Accounting Policies

These Consolidated Financial Statements are unaudited and have been prepared pursuant to instructions for the Quarterly Report on Form 10-Q required to be filed with the Securities and Exchange Commission and do not include all information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles. Management has reflected all adjustments which it believes are necessary to present fairly the Company's financial position at June 30, 1992 and its results of operations and cash flows for the three month periods presented. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Registrant's Annual Report on Form 10-K for its fiscal year ended March 31, 1992. The results for interim periods are not necessarily indicative of annual results.

2. Cash and short-term investments

Cash and short-term investments includes demand deposits and highly liquid interest bearing investment grade securities. Approximately $1,700,000 and $1,600,000 as of June 30, and March 31, 1992, respectively, was restricted and is posted as security in interest bearing accounts related to litigation involving the Company's United Kingdom subsidiary. The Company believes it has adequate defenses to the claims and that the outcome will not have a material adverse effect on the financial position of the Company. The Company considers all highly liquid debt instruments with maturities of 90 days or less to be cash equivalents.

3. Shareholders' Equity

Shareholders' Equity consisted of the following:

	June 30, 1992 (unaudited)	March 31, 1992 (audited)
	(in thousands)	
Shareholders' Equity:		
Common Stock, par value $0.25;		
90,000,000 shares authorized;		
22,568,292 and 22,527,332 issued and outstanding	$ 5,642	$ 5,632
Additional paid-in capital	77,615	77,345
Retained earnings	8,433	3,021
Cumulative translation adjustments	3,897	(792)
Total Shareholders' Equity	$ 95,587	$ 85,206

4. **Income Taxes**

The provisions for income taxes were related to the operations of foreign branches and subsidiaries which were subject to local income and withholding taxes and to U.S. income taxes which were provided at estimated annual effective rates using assumptions as to earnings and other factors which would affect the tax calculation for the remainder of the fiscal year. Cash taxes paid were $524,000 and $145,000 for the periods ended June 30, 1992 and 1991, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Material Changes in Financial Condition

The Company expects to continue to be able to meet its ongoing cash requirements from existing cash on hand and from operating cash flows although, if significant investment opportunities arise, the Company may require the use of externally generated funds. In addition, the Company has two credit agreements in the amounts of $25,000,000 and $30,000,000. The $25,000,000 revolving credit agreement ("Credit Agreement"), shared equally by two participating banks, which can be converted into a term loan, provides for letters of credit and short-term borrowings subject to an accounts receivable borrowing base. Availability under the $25,000,000 Credit Agreement was approximately $17,300,000 at June 30, 1992 as a result of outstanding letters of credit. As of June 30, 1992, the availability under the $30,000,000 term loan facility, which reduces by $1,500,000 quarterly, was $27,000,000.

Total capital expenditures were $2,731,000 during the first quarter of fiscal 1993, as compared to $7,406,000 during the corresponding period of the prior fiscal year. Expenditures for fiscal 1993 consisted primarily of the acquisition of additional remotely operated vehicles ("ROVs") and upgrades to the Company's existing fleet of ROVs. Costs for the corresponding period in the prior year consisted of expenditures on the conversion of the Company's Floating Production, Storage and Offloading system ("FPSO") and the purchase of an offshore support vessel.

The Company is not aware of any circumstances which would cause a material adverse effect in respect to meeting its ongoing financial obligations. The Company operates primarily as a subcontracting services company under short-term day-rate contracts. However, the Company owns certain specialized capital assets, in particular, an FPSO, which, if not fully utilized, would have a negative effect on cash resources as a result of continuing fixed operating costs and reduced revenues. The FPSO was completed in December 1991 at a cost of approximately $26,800,000 and has been operating offshore Gabon since completion. The original FPSO contract provided for a three-year term, with a right of the oil company to terminate the contract after one year. The oil company has elected to exercise the termination right, effective December 1992. The Company believes that the FPSO is suitable for use in many other petroleum development areas, but is unable to predict the timing or rates of subsequent contracts for its use.

The primary market that the Company serves, oil and gas, is a cyclical industry and remains volatile. Although the oil and gas industry continues to be its principal market, the Company also performs services for the United States and foreign governments and the aerospace, nuclear and telecommunications industries.

The Company continues to seek opportunities for business combinations to improve its market position or diversify into new service lines. The Company has signed a letter of intent to acquire all the outstanding capital stock of Eastport International, Inc., a privately held designer, manufacturer and operator of advanced robotic systems and remotely operated vehicles, through the exchange of approximately 860,000 shares of Oceaneering common stock. The acquisition, which is subject to the execution of a definitive agreement, would be accounted for as a "pooling of interests" and is not expected to have a material impact on the results of the Company for fiscal 1993.

Material Changes in Results of Operations

Revenue and operating margin information is as follows:

	Three Months Ended June 30,	
	1992	1991
Revenues (in thousands)	$ 45,588	$ 43,459
Gross margins	31%	27%
Operating Margins	16%	11%

Revenues of $45,588,000 for the first quarter of fiscal 1993 were at approximately the same levels as for the first quarter of fiscal 1992 in all operating areas except for West Africa, which showed an increase primarily as a result of the Company's contract for the provision of an FPSO which commenced in December 1991 and two inspection, repair and maintenance contracts in Nigeria. The FPSO contract also had a favorable impact on the Company's gross margins compared to the corresponding period in the prior year. Although both gross margins and operating margins for the first quarter of fiscal 1993 showed an improvement over the comparable period in the prior year, the Company is experiencing increased downward pressure on prices in all areas and, in addition, is anticipating lower levels of demand for its services in certain operating areas.

Net interest expense was $40,000 for the three month period ended June 30, 1992, compared with net interest income of $480,000 for the comparable period of the prior year. The decrease in interest income reflects lower rates, interest rate hedge costs and reduced cash balances.

The provisions for income taxes were related to U.S. income taxes which were provided at estimated annual effective rates using assumptions as to earnings and other factors which would affect the tax calculation for the remainder of the fiscal year, and to the operations of foreign branches and subsidiaries which were subject to local income and withholding taxes.

Due primarily to business seasonality, the quarters ending June 30 and September 30 have generally been the Company's peak in both revenues and net income during its fiscal years. Subject to factors such as variances in work seasons and/or general market conditions, the quarters ending December 31 and March 31 have generally been the Company's low point in both revenues and net income. This difference may become less significant as the Company invests in capital projects which generally are less seasonal in nature.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.
None.

(b) The Company did not file any reports on Form 8-K during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OCEANEERING INTERNATIONAL, INC.
(Registrant)

Date: August 12, 1992 By: //s// JOHN R. HUFF
John R. Huff, President and
Chief Executive Officer

Date: August 12, 1992 By: //s// THOMAS R. HIX
Thomas R. Hix, Vice President
of Finance and Chief Financial Officer

Date: August 12, 1992 By: //s// RICHARD V. CHIDLOW
Richard V. Chidlow, Controller
and Chief Accounting Officer

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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Corporation
St. Petersburg, FL

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly period ended June 30, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ______________ to ____________

Commission file number 0-12743

PARK COMMUNICATIONS, INC.
(Exact name of the registrant as specified in its charter)

Delaware	16-0986694
(State or other jurisdiction of incorporation of organization)	(IRS Employer Identification No.)
Terrace Hill, Ithaca, NY	14850
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (607) 272-9020

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No___

As of July 30, 1992, 20,700,167 shares of common stock, $.16 2/3 par value, were outstanding.

Form 10-Q QUARTERLY REPORT - JUNE 30, 1992

PARK COMMUNICATIONS, INC. AND SUBSIDIARIES

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Item 1. Financial Statements

PARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in Thousands Except Share and Per Share Amounts)

	June 30, 1992 (Unaudited)	December 31, 1991
Assets		
Current Assets:		
Cash, cash equivalents and short-term investments	$103,651	$100,471
Accounts receivable, less allowance for doubtful accounts of $1,030 in 1992 and $1,183 in 1991..	16,729	17,771
Inventory....................................	1,433	1,592
Film contracts................................	2,284	1,893
Consulting/non-compete contracts..............	1,095	1,178
Other...	2,356	4,083
Total current assets..........................	127,548	126,988
Property, Plant and Equipment.....................	135,677	126,828
Less accumulated depreciation and amortization...	(68,078)	(64,868)
	67,599	61,960
Network contracts................................	10,947	8,538
Intangible assets, less amortization of $66,506 in 1992 and $63,033 in 1991..........................	97,737	99,155
Film contracts...................................	2,246	1,972
Consulting/non-compete contracts..................	5,446	5,972
Other assets.....................................	1,243	1,306
	$312,766	$305,891
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt.............	$ 1,849	$ 1,802
Current maturities of film contracts.............	2,193	1,859
Accounts payable................................	1,431	1,613
Consulting/non-compete contracts.................	1,098	1,167
Interest..	1,114	1,111
Income taxes....................................	3,340	3,573
Accrued liabilities.............................	3,878	3,491
Deferred income.................................	2,711	2,619
Total current liabilities.....................	17,614	17,235
Long-term debt..................................	54,452	54,660
Consulting/non-compete contracts..................	5,563	6,097
Deferred income taxes............................	10,350	10,440
Total liabilities............................	87,979	88,432
Shareholders' Equity:		
Common stock-par value $.16 2/3 per share: Authorized 32,000,000 shares Issued and outstanding 20,700,167 shares.......	3,451	3,451
Paid in capital................................	13,781	13,781
Retained earnings..............................	207,555	200,227
Total shareholders' equity.........................	224,787	217,459
	$ 312,766	$ 305,891

PARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Income and Retained Earnings
(Dollars in Thousands Except Per Share Amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
Revenue:				
Broadcasting	$ 19,649	$ 17,709	$ 36,463	$ 31,851
Newspapers	21,203	21,287	40,242	40,481
Gross revenue	40,852	38,996	76,705	72,332
Less agency and national representative commissions	2,929	2,623	5,347	4,604
Net revenue	37,923	36,373	71,358	67,728
Operating expenses:				
Cost of sales	14,597	14,866	28,962	29,220
Selling, general and administrative	11,603	10,858	22,706	21,630
	26,200	25,724	51,668	50,850
Operating income before depreciation and amortization	11,723	10,649	19,690	16,878
Depreciation and amortization:				
Depreciation	1,710	1,610	3,398	3,220
Amortization	1,212	1,177	2,410	2,276
Amortization of excess of cost over net assets acquired	617	612	1,234	1,224
	3,539	3,399	7,042	6,720
Operating income	8,184	7,250	12,648	10,158
Interest expense	(946)	(1,010)	(1,924)	(2,025)
Interest income	1,270	1,545	2,662	3,153
Other income (expense)	79	54	(516)	(316)
Income before income taxes	8,587	7,839	12,870	10,970
Provision for income taxes	3,654	3,363	5,542	4,932
NET INCOME	4,933	4,476	7,328	6,038
Retained earnings, beginning of period	202,622	189,934	200,227	188,372
RETAINED EARNINGS, end of period	$207,555	$194,410	$207,555	$194,410
Earnings per share:				
Primary	$ .24	$ .22	$ .35	$ .29
Fully diluted	$ .24	$ .21	$ .35	$ .29

See Notes to Consolidated Financial Statements

PARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Six Months Ended June 30	
	1992	1991
Operating Activities:		
Net Income	$ 7,328	$ 6,038
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,042	6,720
Amortization of film contract rights and consulting/non-compete contracts included in operating expenses	1,954	1,990
Payments on film contract liabilities	(1,336)	(1,249)
Payments on consulting/non-compete contracts	(603)	(675)
Provision for losses on accounts receivable	263	512
Provision for deferred income taxes	(92)	(135)
Loss on sale of property, plant and equipment	12	1
Changes in operating assets and liabilities net of effects from purchase of acquired companies:		
Accounts receivable	1,966	708
Inventory and other assets	2,170	927
Accounts payable and accrued liabilities	(1,224)	(920)
Deferred income	92	(105)
Net cash provided by operating activities	17,572	13,812
Investing Activities:		
Purchases of short-term investments	(67,500)	(76,950)
Proceeds from short-term investments	54,600	59,450
Purchases of property, plant and equipment	(2,936)	(1,822)
Purchases of acquired companies, net of cash acquired	(10,347)	---
Proceeds from sale of property, plant and equipment	43	6
Net cash (used) in investing activities	(26,140)	(19,316)
Financing Activities:		
Principal payments on long-term debt	(1,152)	(1,069)
Net cash (used) by financing activities	(1,152)	(1,069)
(Decrease) in cash and cash equivalents	(9,720)	(6,573)
Cash and cash equivalents, beginning of period	18,621	13,515
Cash and cash equivalents, end of period	$ 8,901	$ 6,942
Summary:		
Cash and cash equivalents as above	$ 8,901	$ 6,942
Short-term investments	94,750	88,150
	$103,651	$ 95,092

See Notes to Consolidated Financial Statements

PARK COMMUNICATIONS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Earnings Per Share

Earnings per share computations are as follows (dollars in thousands except per share amounts):

	Three Months Ended June 30		Six Months Ended June 30	
	1992	1991	1992	1991
Primary:				
Average Shares	20,700	20,700	20,700	20,700
Net income	$4,933	$4,476	$7,328	$6,038
Per share amount	$ .24	$ .22	$ .35	$ .29
Fully diluted:				
Average shares outstanding	20,700	20,700	20,700	20,700
Assumed conversion of dilutive 6.875% convertible subordinated debentures	2,609	2,609	---	---
Totals	23,309	23,309	20,700	20,700
Net income	$4,933	$4,476	$7,328	$6,038
Add 6.875% convertible subordinated debenture interests, net of taxes	575	521	---	---
Totals	$5,508	$4,997	$7,328	$6,038
Per share amount	$ .24	$ .21	$ .35	$ .29

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

1992 compared to 1991

Three Months Ended June 30

For the second quarter of 1992, the Company's gross revenue increased $1,900,000 (5%) compared to the second quarter of 1991. The television division's gross revenue increased $2,100,000 (16%) due primarily to the acquisition in January, 1992 of WTVQ-TV in Lexington, Kentucky. The newspaper division's revenue declined $100,000 from the same quarter last year. The radio division's gross revenue decreased $100,000 (2%).

Operating income before depreciation and amortization increased $1,100,000 (10%) compared to the second quarter of 1991. The television division's operating income increased $600,000 (14%) from last year's second quarter primarily due to the WTVQ-TV acquisition and reduced operating expenses. The newspaper division's operating income increased $600,000 (13%) due to managed reduction of operating expenses. The radio division's operating income decreased $200,000 (17%) from the second quarter of 1991.

Net income for the second quarter of 1992 increased $500,000 (10%).

Operating cash flow (net income plus depreciation and amortization) increased $600,000 (8%) in the second quarter of 1992 from the second quarter of 1991.

Six Months Ended June 30

For the first six months of 1992, the Company's gross revenue increased $4,400,000 (6%) compared to the first six months of 1991. The television division's gross revenue increased $4,100,000 (19%) due to the acquisition in January, 1992 of WTVQ-TV in Lexington, Kentucky and improved advertising revenues. The radio division's gross revenue increased $500,000 (5%). The newspaper division's gross revenue decreased $200,000 (1%) from the first six months of 1991.

Operating income before depreciation and amortization increased $2,800,000 (17%) compared to the first six months of 1991. The television division's operating income increased $1,600,000 (24%) due to the reasons discussed above and successful management of its operating expenses. The newspaper division's operating income increased $1,000,000 (11%) from the same period last year due to managed reduction of operating expenses. The radio division's operating income increased $300,000 (18%).

Net income for the first six months of 1992 increased $1,300,000 (21%).

Operating cash flow (net income plus depreciation and amortization) increased $1,600,000 (13%) in the first quarter of 1992 from the first quarter of 1991.

Liquidity

As in the past, the Company's current dividend policy is to retain its earnings for use in its business and not to pay cash dividends.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - Not applicable

(b) Reports on Form 8-K - There were no reports on Form 8-K required to be filed during the second quarter ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARK COMMUNICATIONS, INC.

Date July 30, 1992

ROY H. PARK
Roy H. Park
Chairman of the Board of Directors
and Chief Executive Officer

Date July 30, 1992

WRIGHT M. THOMAS
Wright M. Thomas
President, Chief Operating Officer,
Treasurer, Assistant Secretary and
Director (Principal Financial Officer)

Date July 30, 1992

RANDEL N. STAIR
Randel N. Stair
Vice President - Controller and
Assistant Secretary (Principal
Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d), OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ______ to ______

Commission file number 0-12589

PRESTON CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

Microfilmed
By
Q-Data
Corporation
St. Petersburg, FL

52-1283669
(I.R.S. Employer Identification No.)

151 Easton Boulevard, Preston, Maryland 21655
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 1-410-673-7151

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____ .

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of The Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ____ No ____ .

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: June 30, 1992 - 5,758,701 .

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Preston Corporation
Consolidated Balance Sheets
As of June 30, 1992 and December 31, 1991

	(In Thousands Except Share Amounts)	
	June 30, 1992 (Unaudited)	December 31, 1991
Assets		
Current assets:		
Cash and cash equivalents	$1,827	$5,838
Customer receivables, less allowances of $2,116 and $3,477	57,736	54,640
Other receivables, less allowances of $236 and $210	3,394	3,790
Refundable income taxes	3,597	2,630
Tires on equipment in service	7,321	7,732
Fuel and operating supplies	5,955	4,854
Prepaid expenses	5,504	4,563
Assets held for sale	695	6,610
Total current assets	86,029	90,657
Property, plant and equipment:		
Land	29,485	29,380
Structures and improvements	86,791	84,036
Revenue equipment	184,225	179,257
Other equipment	27,434	26,442
Construction in progress	5,218	2,835
	333,153	321,950
Less accumulated depreciation and amortization	162,174	153,769
Total property, plant and equipment	170,979	168,181
Other assets:		
Goodwill, less accumulated amortization of $3,423 and $2,519	20,695	20,997
Other	11,812	12,225
Total other assets	32,507	33,222
	$289,515	$292,060

The accompanying notes are an integral part of these consolidated financial statements.

	(In Thousands Except Share Amounts)	
	June 30, 1992 (Unaudited)	December 31, 1991
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$15,831	$15,632
Accounts payable	18,721	21,057
Wages, salaries and vacation pay	17,194	13,826
Benefit plans and other incentives	729	600
Claims and insurance reserves	25,292	19,377
Accrual for closing of subsidiaries	1,099	2,514
Other current and accrued liabilities	4,117	4,671
Federal and state income taxes:		
Deferred	783	783
Total current liabilities	83,766	78,460
Long-term debt	107,322	112,620
Deferred income taxes	9,484	10,198
Claims and insurance reserves	6,032	5,060
Other deferred credits	1,632	1,493
Stockholders' equity:		
Common stock, par value $1 per share, 10,000,000 shares authorized, 5,758,701 issued and outstanding	5,759	5,759
Paid-in capital	17,792	17,792
Retained earnings	57,728	60,678
Total stockholders' equity	81,279	84,229
	$289,515	$292,060

Preston Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	(In Thousands Except Share Amounts)			
	Three Months Ended June 30		Six Months Ended June 30	
	1992	1991	1992	1991
Operating revenues	$142,641	$144,663	$281,960	$280,329
Operating expenses:				
Salaries, wages and fringes	92,392	90,351	180,606	175,417
Fuel and fuel taxes	8,135	7,840	16,131	16,714
Tires, parts and other operations	10,957	10,060	21,028	20,063
Operating taxes and licenses	2,137	1,905	4,175	3,904
Sales and marketing	1,354	1,518	2,722	3,017
Claims and insurance	3,392	3,299	6,590	6,962
Communications and utilities	2,156	2,037	4,495	4,121
Depreciation and amortization	4,898	5,560	9,976	11,124
Purchased transportation	11,290	11,547	22,427	22,431
Building and office equipment rents	1,597	1,653	3,034	3,242
Other operating expenses	2,502	2,842	5,382	5,735
Provision for closing of subsidiaries	3,349		3,349	
Total operating expenses	144,159	138,612	279,915	272,730
Income (loss) from operations	(1,518)	6,051	2,045	7,599
Other income (expense):				
Interest expense	(2,591)	(2,567)	(5,277)	(5,368)
Interest income	130	(23)	174	97
Amortization of goodwill	(150)	(150)	(301)	(301)
Other	(244)	(38)	(432)	24
Total other expense	(2,855)	(2,778)	(5,836)	(5,548)
Income (loss) before income taxes and cumulative effect of change in accounting principle	(4,373)	3,273	(3,791)	2,051
Provision (benefit) for income taxes	(1,956)	1,388	(1,678)	899
Income (loss) before cumulative effect of change in accounting principle	(2,417)	1,885	(2,113)	1,152
Cumulative effect of change in accounting principle			(837)	
Net income (loss)	(2,417)	1,885	(2,950)	1,152
Weighted average shares outstanding:	5,758,701	5,758,701	5,758,701	5,758,701
Income (loss) per share before cumulative effect of change in accounting principle	$(0.42)	$0.33	$(0.37)	$0.20
Per share cumulative effect of change in accounting principle	$0.00	$0.00	$(0.14)	$0.00
Net income (loss) per share	$(0.42)	$0.33	$(0.51)	$0.20
Dividends per share	$0.00	$0.03	$0.00	$0.03

The accompanying notes are an integral part of these consolidated financial statements.

Preston Corporation
Consolidated Statements of Cash Flows
For the six months ended June 30, 1992 and 1991

(Unaudited)	1992	1991
	(In Thousands)	
OPERATING ACTIVITIES		
Net income (loss)	($2,950)	$1,152
Adjustments:		
Depreciation and amortization	10,737	11,563
Deferred income taxes	(714)	(21)
Loss on sale of equipment	250	(206)
Other	104	68
Changes in operating assets and liabilities:		
Accounts receivable	(3,666)	4,833
Prepaid expenses	(530)	(230)
Fuel and operating supplies	(1,101)	646
Accounts payable and other current liabilities	1,166	949
Wages, salaries, and vacation pay	3,368	2,465
Benefit plans and other incentives	129	339
Claims and insurance reserves	2,831	(2,675)
Accrual for closing of subsidiaries	(1,414)	(624)
Current federal and state income taxes		234
Other, net	(320)	(788)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,890	17,705
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5,879)	(14,874)
Purchase of software	(134)	(172)
Proceeds from sale of equipment	1,060	4,146
Other assets	13	(14)
NET CASH USED IN INVESTING ACTIVITIES	(4,940)	(10,914)
FINANCING ACTIVITIES		
Proceeds from revolving lines of credit, and long-term borrowings	8,000	6,398
Principal payments on revolving lines of credit, long-term debt and capital lease obligations	(14,902)	(10,865)
Financing fees on long-term debt	(59)	(34)
Dividends paid		(1,440)
NET CASH USED IN FINANCING ACTIVITIES	(6,961)	(5,941)
(Decrease) increase in cash and cash equivalents	(4,011)	850
Cash and cash equivalents at beginning of year	5,838	16
CASH AND CASH EQUIVALENTS AT JUNE 30	$1,827	$866

Preston Corporation
Notes to Consolidated Financial Statements
June 30, 1992

Note 1 - Basis of Presentation:

In the opinion of management, the accompanying consolidated financial statements contain all adjustments of a normal recurring nature necessary to present fairly the consolidated financial position as of June 30, 1992 and December 31, 1991; as well as the consolidated results of operations for the six months ended June 30, 1992 and 1991, and the consolidated cash flows for the six months ended June 30, 1992 and 1991. Operating results for the six months ended June 30, 1992 are not necessarily indicative of the results that may be expected for 1992. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Preston Corporation's (the "Company") Form 10-K for 1991.

Note 2 - Contingencies:

Claims and insurance accruals reflect the estimated cost to the Company of incurred claims for cargo loss and damage, bodily injury and property damage, workers' compensation, hospitalization and other claims. For bodily injury and property damage claims and general liability claims, the Company has a $1.5 million and a $1 million self-insured retention per claim, respectively. For cargo loss and damage claims in transit, the deductible is $250,000 per claim. The self-insured retention for workers' compensation claims is $250,000 per claim. The Company is self-insured for collision damage to company-owned equipment and hospitalization costs of non-union employees, but maintains "stop-loss" insurance to limit medical costs for any employee to approximately $100,000 per year. The Company's basic life insurance coverage for employees has an annual aggregate stop-loss of approximately $100,000 per year.

The Company is involved in various litigation arising in the normal course of business. In the opinion of management, the ultimate liability, if any, resulting from such litigation will not materially affect the financial position of the Company. The Company's insurance provider for workers' compensation and personal injury coverages has recently indicated that it claims approximately $3.8 million of retrospective premiums for administrative charges relating to these coverages for the years 1986 to 1989. The Company disputes the major portion of these asserted charges and intends to contest them vigorously. It is not possible to determine the amount or potential range of loss with respect to these asserted charges at this time.

Note 3 - Revenue Recognition

In response to a January 1992 consensus by the Financial Accounting Standards Board's Emerging Issues Task Force (Issue No. 91-9), the Company, effective January 1, 1992, changed its method of accounting for freight revenue and related costs to the allocation method whereby revenue is recorded based on relative transit time in each reporting period with expenses recognized as incurred.

The cumulative effect of the change of $837,000 (net of applicable income taxes), was reflected as a decrease to net earnings in the first quarter of 1992. If this change in accounting method had been in effect during 1991, the effects would have been immaterial to the results of operations.

Note 4 - Claims and Insurance Reserves

In the second quarter of 1992, the Company began estimating the amount of insurance claims which are not expected to be paid within one year. These claims are classified as long-term liabilities in the accompanying balance sheets. The 1991 financial statements have been restated to conform with the 1992 presentation.

Note 5 - Closing of Subsidiaries

During the six months ended June 30, 1992, the Company recorded a $3.3 million ($1.9 million, or $0.33 per share, after tax) increase in the accrual for the closing of Pioneer Transportation Systems, Inc. ("Pioneer") and Reeves Transportation Company ("Reeves"). The closedown was originally reported during the third quarter of 1990.

The increase in the accrual is primarily due to an increase in insurance claims reserves and the decision by the Company, effective June 30, 1992, to operate CSI, the carpet cutting and warehouse division of Reeves, on an on-going basis. Previously, this activity had been part of the closedown accrual, pending management's evaluation of the long-term viability of this operation. To reflect the current state of its operations, Reeves changed its name to CSI/Reeves, Inc. Effective June 30, 1992, Reeves operating assets of $4.8 million previously reported as assets held for sale were transferred to property, plant and equipment.

Note 6 - Long-Term Debt

The Senior Notes, as amended and restated on December 12, 1991, between the Company and Allstate Life Insurance Company and Pan-American Life Insurance Company, contain a provision which prohibits the declaration or payment of any dividends, either in cash or property, on any class of the capital stock of the Company, except under certain limited exceptions which do not currently exist.

The Company is currently in compliance with the financial covenants under its various loan facilities. However, assuming operations continue at the same levels as the first six months of 1992, the Company projects that at September 30, 1992 and December 31, 1992 it may be in violation of financial covenants in its long-term debt facilities. The Company is reviewing all of its alternatives for actions which may remedy such violations including taking steps to address the amount of debt in its capital structure.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The operating revenues of the Company were $142.6 million for the quarter and $282.0 million for the six months ended June 30, 1992, versus $144.7 million for the second quarter of 1991 and $280.3 million for the six months ended June 30, 1991.

Less than truckload ("LTL") tonnage increased 2.4 percent, while LTL revenue decreased 1.5 percent for the second quarter of 1992 versus the same period in 1991. Truckload ("TL") tonnage and revenue decreased 0.4 percent and 3.2 percent, respectively for the same periods. For the six months ended June 30, 1992, LTL tonnage and revenue increased 3.8 percent and 1.1 percent, respectively, while TL tonnage was flat and TL revenue decreased 3.0 percent from the same period last year.

Total tonnage for the second quarter and six months ended June 30, 1992 increased 1.5 percent and 2.6 percent, respectively, over the same periods last year. Revenue per ton, however, for the second quarter and six months ended June 30, 1992 decreased 3.2 percent and 2.1 percent respectively, from June 30, 1991.

The Company's operating ratio was 101.1 percent for the second quarter of 1992, compared to 95.8 percent for the same period of 1991, and 99.3 percent for the six months ended June 30, 1992, compared to 97.8 percent for the same period last year. The six months operating loss includes a $3.3 million increase in the provision for the September, 1990 closing of Pioneer and Reeves, which adversely affected the operating ratio for the second quarter and six months ended June 30, 1992, by 2.2 percent and 1.2 percent, respectively. In addition, a 2.7 percent increase in union wages, effective April 1, 1992, and the impact of the terminal consolidation process at Preston Trucking also resulted in a negative impact on the Company's operating ratio for the same periods.

Interest and other expenses increased 2.8 percent and 5.2 percent, respectively, for the second quarter and six months ended June 30, 1992, when compared to the same periods last year. The main factors contributing to this increase are the difference in gains and losses on the sale of operating assets for the two periods, and an increase in the amortization of financing fees and related costs associated with the December, 1991 debt restructuring.

Net loss for the second quarter of 1992 was $2.4 million ($.42 per share), which includes $1.7 million ($.30 per share) after tax for the closing of Pioneer and Reeves, compared to net income of $1.9 million ($.33 per share) for the same period last year. For the six months ended June 30, 1992, net loss was $3.0 million ($.51 per share), which includes $837,000 ($.14 per share) for the first quarter impact of a cumulative change in accounting principle for the Company's method of revenue recognition, and $1.9 million ($.33 per share) after tax for the closing of Pioneer and Reeves versus net income of $1.2 million ($.20 per share) for the same period of 1991.

Liquidity and Capital Resources

Cash provided by operations for the six month period ended June 30, 1992 was $7.9 million, a decrease of $9.8 from the same period last year. Customer accounts receivable increased to $57.7 million at June 30, 1992, from the $54.6 million reported at December 31, 1991. Working capital was $2.3 million at June 30, 1992, compared to $12.2 million at December 31, 1991, as restated in accordance with Note 4. The current ratio was 1.03 to 1 at June 30, 1992 compared to 1.16 to 1 as restated for December 31, 1991. The Company projects a continued decline in its liquidity and is exploring a range of alternatives to address its liquidity problem as well as the reduction of its debt (See Note 6).

Capital expenditures for the six months ended June 30, 1992, were $5.9 million, which includes $1.8 million financed through capital leases compared to $14.9 million for the same period last year. Capital expenditures for the remaining six months of 1992 are expected to be $12.2 million. The Company reduced long-term debt by $5.3 million during the first six months of 1992.

Part II. Other Information

Item 5. Other Information

(a) Election of Chief Financial Officer

On August 6, 1992, the Company ratified the appointment of H. A. (Bert) Trucksess, III to the position of Chief Financial Officer, effective June 4, 1992. Prior to his appointment by the Company, from October 1988 to July 1991, Mr. Trucksess served as Chief Financial Officer of JTL Holding Company. From February 1984 to October 1988, Mr. Trucksess served as the Chief Financial Officer of Sun Carriers, Inc. Mr. Trucksess' experience also includes 15 years with the Sun Company, Inc. where he served as Vice President, Financial Administration of Sunoco Energy Development Co., as Manager of Corporate Insurance and Manager, Federal Reporting and Control.

(b) Financial Alternatives

In light of the operating results for the six months ended June 30, 1992 and the constraints of the Company's various long-term debt facilities (see Note 6 to the Consolidated Financial Statements at June 30, 1992 contained elsewhere in this Report on Form 10-Q), the Company is exploring its strategic and financial alternatives, restructuring possibilities, and operating initiatives. The Company has engaged the investment banking firm of Goldman, Sachs & Co. to assist in these matters.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Statement Regarding Computation of Per Share Earnings

(b) Reports on Form 8-K

There were no events requiring a Report on Form 8-K during the six months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRESTON CORPORATION
(Registrant)

Date: August 14, 1992

/S/ WILLIAM B. POTTER
William B. Potter
Chairman and President
(Authorized Executive Officer)

Date: August 14, 1992

/S/ H. A. TRUCKSESS, III
H. A. Trucksess, III
Vice President-Finance
(Chief Financial Officer)

Date: August 14, 1992

/S/ WILLIAM E. LYONS
William E. Lyons
Secretary and Treasurer
(Chief Accounting Officer)

Exhibit 11 Statement Regarding Computation of Per Share Earnings

Preston Corporation
Computation of Per Share Earnings
For the six months ended June 30

	1992	1991
	(In Thousands Except Share Amounts)	
Primary:		
Net income (loss) before cumulative effect of change in accounting principle	$(2,113)	$1,152
Cumulative effect of change in accounting principle	(837)	
Net income (loss)	$(2,950)	$1,152
Per share earnings (loss) before cumulative effect of change in accounting principle	$(0.37)	$0.20
Per share cumulative effect of change in accounting principle	$(0.14)	
Net income (loss) per share	$(0.51)	$0.20
Weighted average shares outstanding	5,758,701	5,758,701
Fully diluted:		
Net income (loss) before cumulative effect of change in accounting principle	$(2,113)	$1,152
Add: Interest on convertible subordinated debentures (net of applicable income taxes)	599	599
	$(1,514)	$1,751
Cumulative effect of change in accounting principle	(837)	
Net income (loss)	$(2,351)	$1,751
Per share earnings (loss) before cumulative effect of change in accounting principle (1)	$(0.37)	$0.20
Per share cumulative effect of change in accounting principle (1)	$(0.14)	
Net income (loss) per share (1)	$(0.51)	$0.20
Weighted average shares outstanding (2)	6,826,009	6,826,009

(1) Antidilutive. Accordingly, the primary earnings (loss) per share is presented.

(2) Assumes conversion of all outstanding convertible subordinated debentures and exercise of certain stock options.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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92-2257

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PERSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

OR

____ TRANSITION REPORT PERSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-18764

Microfilmed
By
Q-Data
Corporation
St. Petersburg, FL

PULSE BANCORP, INC.
(Exact name of registrant as specified in its charter)

NEW JERSEY	22-3016360
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
6 JACKSON ST., SOUTH RIVER, N.J.	08882
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (908) 257-2400

N/A
Former name, former address and former fiscal year, if changed since last report.

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes X No ____

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date JULY 31, 1992

CLASS	OUTSTANDING
$1.00 par value common stock	1,817,714 Shares

PULSE BANCORP, INC. AND SUBSIDIARY

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PART I - CONSOLIDATED FINANCIAL INFORMATION

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Consolidated Statements of Income for the Three and Nine Months Ended June 30, 1991 and 1992 (unaudited) 2

Consolidated Statements of Cash Flows for the Nine Months Ended June 30, 1991 and 1992 (unaudited) 3

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PULSE BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Financial Condition
(Unaudited)

ASSETS	September 30, 1991	June 30, 1992
Cash and amounts due from depository institutions.....	$4,965,223	$5,365,194
Interest-bearing deposits in other banks..............	6,000,000	9,300,000
Federal funds sold....................................	500,000	500,000
Total cash and cash equivalents....................	11,465,223	15,165,194
Investment securities; approximate market value of $18,538,000 and $34,334,000, respectively...........	18,627,214	34,072,583
Mortgage backed securities, net; approximate market value of $128,942,000 and $132,684,000, respectively	128,025,613	129,243,476
Loans receivable, net.................................	226,021,380	210,592,734
Premises & equipment, net.............................	1,227,835	1,551,720
Real estate owned, net................................	3,997,000	3,102,251
Federal Home Loan Bank of New York stock, at cost.....	1,968,100	2,534,700
Interest & dividends receivable, net..................	3,743,198	3,565,773
Excess of cost over assets acquired...................	315,000	240,000
Other assets..	1,239,231	458,452
Total assets..	$394,629,794	$400,526,883

LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits..	$343,688,134	$359,792,507
Advances from Federal Home Loan Bank of New York......	10,000,000	-
Advance payments by borrowers for taxes & insurance...	999,752	1,080,105
Other liabilities.....................................	2,864,559	1,390,260
Total liabilities...................................	357,552,445	362,262,872
Stockholders' Equity:		
Preferred stock; authorized 5,000,000 shares; issued and outstanding - none	-	-
Common stock; par value $1.00; authorized 10,000,000 shares; 1,903,264 shares issued and 1,838,264 outstanding and 1,913,714 shares issued and 1,813,714 outstanding , respectively...............	1,903,264	1,913,714
Paid in capital in excess of par value................	12,457,345	12,530,495
Retained earnings- substantially restricted...........	23,527,990	25,153,552
	37,888,599	39,597,761
Treasury Stock; at cost; 65,000 shares and 100,000 shares respectively........................	(811,250)	(1,333,750)
Total stockholders' equity........................	37,077,349	38,264,011
Total liabilities and stockholders' equity.......	$394,629,794	$400,526,883

See notes to consolidated financial statements.

PULSE BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1991	1992	1991	1992
Interest income:				
Loans	$5,678,336	$5,142,612	$17,427,498	$15,876,572
Mortgage backed securities........................	1,470,025	2,557,659	3,808,075	$8,013,386
Investments and other interest-earning assets......	444,065	615,233	1,468,697	$1,559,805
Total interest income..........................	7,592,426	8,315,504	22,704,270	25,449,763
Interest expense:				
Deposits..	4,869,061	4,337,903	14,807,370	$14,317,302
Advances..	185,311	-	549,889	$374,577
Total interest expense.........................	5,054,372	4,337,903	15,357,259	14,691,879
Net interest income before provision for loan losses..	2,538,054	3,977,601	7,347,011	10,757,884
Provision for loan losses..........................	500,000	600,000	1,100,000	1,800,000
Net interest income after provision for loan losses...	2,038,054	3,377,601	6,247,011	8,957,884
Other income (loss):				
Other fees and service charges on loans............	11,786	32,734	44,560	63,256
Gain (loss) from sales of investments..............	-	-	-	(92,426)
Provision for loss on investments..................	-	-		(100,000)
Gain (loss) from real estate operations............	(10,131)	(256,624)	(48,950)	(305,359)
Miscellaneous......................................	49,121	50,526	177,830	172,324
Total other income (loss)......................	50,776	(173,364)	173,440	(262,205)
Other expenses:				
Salaries and employee benefits.....................	411,330	489,039	1,245,996	1,422,132
Occupancy expense of premises......................	48,551	63,409	134,121	181,714
Equipment..	88,902	103,314	272,738	314,441
Advertising..	24,466	28,737	93,772	114,488
Federal insurance premium..........................	154,231	197,758	445,242	559,123
Miscellaneous......................................	162,524	215,601	579,122	766,525
Total other expenses...........................	890,004	1,097,858	2,770,991	3,358,423
Income before income taxes.........................	1,198,826	2,106,379	3,649,460	5,337,256
Income taxes.......................................	542,000	909,000	1,537,542	2,347,521
Net income.....................................	$656,826	$1,197,379	$2,111,918	$2,989,735
Earnings per common share and common stock equivalents	$0.35	$0.64	$1.11	$1.60
Dividends per share................................	$0.25	$0.25	$0.75	$0.75
Weighted average number of common shares and common stock equivalents outstanding......................	1,887,790	1,864,185	1,902,816	1,857,134

See notes to consolidated financial statements.

PULSE BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended June 30, 1991	Nine Months Ended June 30, 1992
Net cash flows from operating activities:		
Net income	$2,111,918	$2,989,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	99,664	101,617
Amortization of discounts and fees, net	(195,236)	(583,416)
Provision for loan losses	1,100,000	1,800,000
(Increase) decrease in interest & dividends receivable, net	(282,613)	177,425
Decrease in other assets	207,979	780,779
Increase (decrease) in other liabilities	585,907	(1,474,299)
Increase in accrued interest payable	12,367	100,792
Loss on investments	-	192,426
Loss on sale of real estate owned	39,030	262,364
Amortization of intangible	-	75,000
Net cash provided by operating activities	3,679,016	4,422,423
Cash flows from investing activities:		
Proceeds from sales, maturities and repayments of investments	2,624,932	1,366,683
Purchase of investment securities	(1,000,000)	(16,993,125)
Net (increase) in mortgage loans held for sale	-	(798,000)
Net decrease in loans receivable	2,563,248	12,753,702
Mortgage-backed securities purchased	(38,543,790)	(22,740,678)
Mortgage-backed securities repayments	4,440,327	19,474,571
Additions to premises and equipment	(35,261)	(425,502)
Proceeds from sale of real estate owned	161,384	2,925,636
Federal Home Loan Bank of New York stock purchased	(83,100)	(566,600)
Net cash used in investing activities	(29,872,260)	(5,003,313)
Cash flows from financing activities:		
Net change in deposits	23,339,212	16,003,581
Increase in advance payments by borrowers for taxes and insurance	80,998	80,353
Sale of common stock	28,000	83,600
Treasury stock purchased	(616,250)	(522,500)
Repayment of Federal Home Loan Bank of New York advance	-	(10,000,000)
Cash dividends paid	(1,406,204)	(1,364,173)
Net cash provided by financing activities	21,425,756	4,280,861
Net (decrease) increase in cash and cash equivalents	(4,767,488)	3,699,971
Cash and cash equivalents - beginning	14,323,039	11,465,223
Cash and cash equivalents - ending	$9,555,551	$15,165,194
Supplemental schedule of non-cash investing activities:		
Transfer of loans receivable to real estate owned	-	$2,293,251
Cash paid during the period for:		
Income taxes	$1,180,000	$1,843,000
Interest on deposits and borrowings	$15,180,045	$14,696,849

See notes to consolidated financial statements.

PULSE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Pulse Bancorp, Inc. ("the Corporation") and its wholly owned subsidiary Pulawski Savings Bank, ("the Savings Bank"). The Corporation's business is conducted principally through the Savings Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include information or footnotes necessary for a complete presentation of consolidated financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles. However, all adjustments, consisting of normal recurring accruals, which, in the opinion of management, are necessary for fair presentation of the consolidated financial statements have been included. The results of operations for the nine months ended June 30, 1992 are not necessarily indicative of the results which may be expected for the entire fiscal year.

3. LOANS RECEIVABLE, NET

	September 30, 1991	June 30, 1992
		(Unaudited)
Real Estate Mortgage:		
Conventional	$202,913,782	$192,961,019
FHA Insured	4,542,733	3,922,387
VA guaranteed	10,143,329	8,885,672
	217,599,844	205,769,078
Real estate construction	793,768	381,250
Consumer:		
Home equity lines of credit	6,605,881	8,037,745
Passbook or certificate	992,264	766,831
Student education guaranteed by the State of New Jersey	99,984	33,034
	7,698,129	8,837,610
Commercial	1,008,057	962,222
Total loans	227,099,798	215,950,160
Less: Loans in process	127,000	109,050
Allowance for loan losses	2,821,736	4,208,566
Deferred loan fees and discounts	962,891	1,039,810
	3,911,627	5,357,426
	$223,188,171	$210,592,734

4. EARNINGS PER COMMON SHARE

Earnings per share have been calculated based on the weighted average number of shares outstanding plus the shares that would be outstanding assuming the exercise of dilutive stock options, all of which are considered to be common stock equivalents. The number of shares that would be issued from the exercise of stock options has been reduced by the number of shares that could have been purchased from the proceeds at the average price of the Corporation's common stock.

PULSE BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Corporation's assets at June 30, 1992 totalled $400.5 million which represents an increase of $5.9 million or 1.49% as compared with September 30, 1991. Total deposits at June 30, 1992 increased $16.1 million or 4.69% as compared with September 30, 1991. Mortgage-backed securities totalled $129.2 million and $126.0 million at June 30, 1992 and September 30, 1991, respectively. Loans receivable amounted to $210.6 million and $226.0 million at June 30, 1992 and September 30, 1991, respectively, which represents a decrease of 6.83%. The decrease in loans receivable is due primarily to loan principal collections exceeding loan originations by approximately $12.8 million during the nine months ended June 30, 1992.

Comparison of Operating Results for the Three Months Ended June 30, 1992 and 1991

Net income increased $541,000 or 82.30% to $1.2 million for the three months ended June 30, 1992 compared with $657,000 for the same 1991 period. The increase in net income during the 1992 period resulted from an increase in total interest income and non-interest income along with a decrease in total interest expense, which more than offset an increase in provision for loan losses, non-interest expenses and income taxes.

Interest income on loans reflected a decrease of $535,000 during the 1992 period when compared with the same 1991 period. The decrease during the 1992 period resulted from a decrease in the average balance of loans outstanding. Interest on mortgage-backed securities increased by $1.1 million during the 1992 period when compared with the 1991 period. The increase during the 1992 period resulted from an increase in the average balance of mortgage-backed securities outstanding which resulted from the purchase of mortgage-backed securities of $22.7 million since September 30, 1991. Interest earned on investments and other interest-earning assets increased to $615,000 during the 1992 period when compared to $444,000 for the same 1991 period. The increase is primarily due to an increase in the average balances of investments and other interest-earning assets outstanding, which was more than sufficient to offset a decrease in the yield earned on investments and other interest-earning assets. The increase in the average balance of investment securities during the 1992 period resulted from the purchase of investment securities of $17.0 million since September 30, 1991.

Interest expense on deposits reflects a decrease of $531,000 to $4.3 million during the 1992 period when compared with $4.9 million for the 1991 period. Such decrease was attributable to a decrease in the Savings Bank's cost of deposits, which was sufficient to offset an increase in the average balance of deposits outstanding during the 1992 period. The decrease in the Savings Bank's cost of deposits reflects a decrease in general market interest rates paid on deposits. Interest on advances and other borrowed money decreased $185,000 during the 1992 period when compared to the 1991 period. The Savings Bank paid off all its outstanding advances from Federal Home Loan Bank of New York during March 1992.

During the three months ended June 30, 1992 and 1991, the Savings Bank provided $600,000 and $500,000 respectively, as an allowance for loan losses, which was charged to operations. The allowance for loan losses is based on management's evaluation of the risk inherent in its loan portfolio and gives due consideration to changes in general market conditions and in the nature and volume of the Savings Bank's loan activity. At June 30, 1992 and September 30, 1991, the Savings Bank's non-performing loans totalled $8.8 million and $5.5 million respectively. At June 30, 1992, non-performing loans were comprised of $2.3 million of 1-4 family mortgage loans and $6.5 million of commercial real estate mortgage loans. The level of non-performing loans is generally due to the slowdown in the New Jersey economy and surrounding economy, and real estate markets. The allowance for loan losses amounted to $4.2 million and $2.8 million at June 30, 1992 and September 30, 1991, respectively. The Savings Bank intends to continue to provide for loan losses based on its periodic review of the loan portfolio and general market conditions. In the event that the real estate markets and general economies served by the Savings Bank do not improve or continue to decline, the level of the Savings Bank's non-performing loans may increase, particularly in the commercial real estate portfolio of the Savings Bank. To the extent any such increase exceeds the allowance for loan losses, the Savings Bank's results of operations and financial condition may be adversely affected.

Non-interest income decreased from $51,000 during the 1991 period to a loss of $173,000 during the 1992 period. The decline during the 1992 period was primarily the result of an increase in loss from foreclosed real estate totalling

Comparison of Operating Results for the Three Months Ended June 30, 1992 and 1991 (continued)

$247,000 which was partially offset by an increase in other fees and service charges on loans of $21,000 and miscellaneous income of $1,000. The increase, during the 1992 period, in loss from foreclosed real estate resulted primarily from sustaining additional losses on sales of three properties in the amount of $292,000 which was partially offset by the gain on sale of one foreclosed property of $36,000.

Non-interest expenses increased from $890,000 during the 1991 period to $1.1 million during the 1992 period. Salaries and employee benefits, occupancy, equipment, advertising, federal insurance premium and miscellaneous expenses increased by $78,000, $14,000, $14,000, $5,000, $44,000, and $53,000 respectively. Although increased prices and higher volume continue to be reflected in the increases in non-interest expenses, management continues to limit expense items where it has a degree of control.

Income tax expense totalled $909,000 and $542,000 for the three months ended June 30, 1992 and 1991, respectively. The increase in income tax expense primarily resulted from an increase in pre-tax income and the non-deductible provision for loan losses.

Comparison of Operating Results for the Nine Months Ended June 30, 1992 and 1991

Net income increased $878,000 or 41.57% to $3.0 million for the nine months ended June 30, 1992 compared with $2.1 million for the same 1991 period. The increase in net income during the 1992 period resulted from an increase in total interest income and non-interest income, along with a decrease in total interest expense, which more than offset an increase in provision for loan losses, non-interest expenses and income taxes.

Interest income on loans reflected a decrease of $1.6 million during the nine months ended June 30, 1992 when compared with the same 1991 period. The decrease during the 1992 period resulted from a decrease in the average balance of loans outstanding. Interest on mortgage-backed securities increased by $4.2 million during the 1992 period when compared with the 1991 period. The increase during the 1992 period resulted from an increase in the average balance of mortgage-backed securities outstanding which resulted from the purchase of mortgage-backed securities of $22.7 million since September 30, 1991. Interest earned on investments and other interest-earning assets increased to $1.6 million during the 1992 period when compared to $1.5 million for the same 1991 period. The increase is primarily due to an increase in the average balance of investments and other interest-earning assets outstanding, which was more than sufficient to offset a decrease in the yield earned on investments and other interest-earning assets.

Interest expense on deposits reflects a nominal decrease of $490,000 during the 1992 period when compared with the same 1991 period. Such decrease was attributable to a decrease in the Savings Bank's cost of deposits, which was sufficient to offset an increase in the average balance of deposits outstanding during the 1992 period. The decrease in the Savings Bank's cost of deposits reflects a decrease in general market interest rates paid on deposits. Interest on advances and other borrowed money decreased $175,000 during the 1992 period when compared with the same 1991 period. The Savings Bank paid off all its outstanding advances from Federal Home Loan Bank of New York during March 1992.

During the nine months ended June 30, 1992 and 1991, the Savings Bank provided $1.8 million and $1.1 million respectively, as an allowance for loan losses, which was charged to operations. The allowance for loan losses is based on management's evaluation of the risk inherent in its loan portfolio and gives due consideration to changes in general market conditions and in the nature and volume of the Savings Bank's loan activity. At June 30, 1992 and September 30, 1991, the Savings Bank's non-performing loans totalled $8.8 million and $5.5 million respectively. At June 30, 1992, the non-performing loans were comprised of $2.3 million of 1-4 family mortgage loans and $6.5 million of commercial real estate mortgage loans. The level of non-performing loans is generally due to the slowdown in the New Jersey economy and surrounding economy, and real estate markets. The allowance for loan losses amounted to $4.2 million and $2.8 million at June 30, 1992 and September 30, 1991, respectively. The Savings Bank intends to continue to provide for loan losses based on its periodic review of the loan portfolio and general market conditions. In the event that the real estate markets and general economies served by the Savings Bank do not improve or continue to decline, the level of the Savings Bank's non-performing loans may increase, particularly in the commercial real estate portfolio of the Savings Bank. To the extent any such increase exceeds the allowance for loan losses, the Savings Bank's results of operations and financial condition may be adversely affected.

Comparison of Operating Results for the Nine Months Ended June 30, 1992 and 1991 (continued)

Non-interest income decreased from $173,000 during the 1991 period to a loss of $262,000 during the 1992 period. The decline during the 1992 period was primarily the result of an increase in losses on sales of investments of $92,000, an increase in loss from foreclosed real estate of $256,000 and provision for loss on investment securities of $100,000 along with a decrease in miscellaneous income of $6,000 which was partially offset by an increase in other fees and service charges on loans of $18,000. During the 1992 period, proceeds from sales of investments totalled $908,000 and gross losses of $92,000 were realized. During the 1992 period, provision for loss of $100,000 was made on the security issued by Broadway Bank and Trust which was deemed worthless when they defaulted on interest payments and the bank was taken over by government authorities.

Non-interest expenses increased $587,000 during the 1992 period when compared with the same 1991 period. Salaries and employee benefits, occupancy, equipment, advertising, federal insurance premium and miscellaneous expenses increased by $176,000, $48,000, $41,000, $20,000, $114,000, and $188,000 respectively. Although increased prices and higher volume continue to be reflected in the increases in non-interest expenses, management continues to limit expense items where it has a degree of control.

Income tax expense totalled $2.3 million and $1.5 million for the nine months ended June 30, 1992 and 1991, respectively. The increase in income tax expense primarily resulted from an increase in pre-tax income and the non-deductible provision for loan losses.

Liquidity and Capital Resources

Liquidity is the measure of the Savings Bank's ability to generate sufficient cash flow in order to meet all current and future financial obligations and commitments as they arise. The Savings Bank adjusts its liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes from escrow accounts on mortgage loans, repayment of borrowings, when applicable, and loan funding commitments. The Savings Bank also adjusts its liquidity level as appropriate to meet its asset/liability objectives.

The Savings Bank's primary sources of funds are deposits, amortization and prepayments of loan and mortgage-backed securities principal, Federal Home Loan Bank of New York advances, maturities of investment securities and funds provided from operations. While scheduled loan amortization and maturing investment securities are a relatively predictable source of funds, deposit flow and loan prepayments are greatly influenced by market interest rates, economic conditions and competition. The Savings Bank manages the pricing of its deposits to maintain a steady deposit balance. In addition, the Savings Bank invests its excess funds in federal funds and overnight deposits with the Federal Home Loan Bank of New York, which provides liquidity to meet lending requirements. Federal funds sold and interest-bearing deposits at June 30, 1992 and September 30, 1991 amounted to $9.8 million and $6.5 million, respectively. The Savings Bank's liquidity, represented by cash and cash equivalents, is a product of its operating, investing, and financing activities. These activities are summarized below:

	Nine Months Ended June 30,	
	1991	1992
	(In Thousands)	
Cash and cash equivalents at beginning of period	$14,323	$11,465
Operating activities:		
Net income	2,112	2,990
Adjustments to reconcile net income to net cash provided by operating activities	1,567	1,432
Net cash provided by operating activities	3,679	4,422
Net cash used in investing activities	(29,872)	(5,003)
Net cash provided by financing activities	21,426	4,281
Net increase (decrease) in cash and cash equivalents	(4,767)	3,700
Cash and cash equivalents at end of period	$9,556	$15,165

Cash was generated by operating activities during the nine months ended June 30, 1992 and 1991. The primary source of cash from operating activities during each of the periods was net income. The primary source of investing activity of the Savings Bank during these periods was lending and the purchase of mortgage-backed securities. Net loans amounted to $210.6 million and $226.0 million at June 30, 1992 and September 30, 1991, respectively. Mortgage-backed securities totalled $129.2 million and $126.0 million at June 30, 1992 and September 30, 1991, respectively. In addition to funding new loan production and the purchase of mortgage-backed securities through operations and financing activities, such activities were funded by principal repayments on existing loans and mortgage-backed securities which totalled $56.4 million during the nine months ended June 30, 1992.

The primary source of financing activities during the 1992 and 1991 periods resulted from an increase in deposits outstanding amounting to $16.0 million and $23.3 million, respectively. Cash dividends paid on the Corporation's common stock, during the nine months ended June 30, 1992 and 1991, amounted to $1.4 million, respectively. During the nine months ended June 30, 1992, the Corporation repurchased an additional 35,000 shares of its common stock for $522,500 in the open market at an average price of $14.92 per share pursuant to the Corporation's stock repurchase program.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short-term investments, such as federal funds and interest-bearing deposits. If the Savings Bank requires funds beyond its ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of New York which provide an additional source of funds. At September 30, 1991, advances from FHLB-NY amounted to $10.0 million. Such advances matured and were paid off in March, 1992.

The Savings Bank anticipates that it will have sufficient funds available to meet its current loan commitments. At June 30, 1992, the Savings Bank had outstanding commitments of $3.3 million. Certificates of deposit scheduled to mature in one year or less at June 30, 1992, totalled $190.1 million. Management believes that a substantial portion of such deposits will remain with the Savings Bank.

Both the Corporation and the Savings Bank are subject to regulatory capital requirements mandated by the Board of Governors of the Federal Reserve System ("FRB") and Federal Deposit Insurance Corporation ("FDIC"). Both the Corporation and the Savings Bank are required to maintain minimum regulatory capital requirements, defined by the FRB and FDIC as risk based ratio capital (Tier 1 and Total) and leverage ratio capital. The following table presents the minimum requirement ratios and the actual ratios and the ratios to be applicable to the Corporation and the Savings Bank as of December 31, 1992. (See "Item 5. Other Materially Inportant Events")

	June 30, 1992			December 31, 1992
	Required	Actual	Excess	Required
Risk-based capital:				
Tier 1	3.625%	9.08%	5.455%	4.00%
Total	7.250%	19.35%	12.100%	8.00%
Leverage ratio capital	4.00%	9.55%	5.55%	4.00%

PULSE BANCORP, INC. AND SUBSIDIARY

PART II

ITEM 1. Legal Proceedings

Neither the Corporation nor the Savings Bank was engaged in any legal proceeding of a material nature at June 30, 1992. From time to time, it is a party to legal proceedings in the ordinary course of business wherein it enforces its security interest in loans.

ITEM 2. Changes in Securities

Not applicable.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

ITEM 5. Other Materially Important Events

On June 25, 1992, Pulse Bancorp, Inc. announced that its wholly owned subsidiary, Pulawski Savings Bank, SLA completed its conversion from a New Jersey savings and loan association charter to a New Jersey savings bank charter. Hereafter, the Savings Bank will operate as a capital stock savings bank under the laws of the State of New Jersey and its title will be "Pulawski Savings Bank". As a result of the charter conversion, all deposits, accounts, loans, and other contracts will remain the same, and the operations of the bank will remain essentially unchanged. By converting to a state savings bank charter, the Savings Bank has reduced the number of regulators to two, reduced expenses associated with regulatory examinations and reduced the amount of, and management time associated with, regulatory complaince.

ITEM 6. Exhibits and Reports on Form 8-K

Not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PULSE BANCORP, INC.

Date: 8/6/92

By:

George T. Hornyak, Jr.
President
Chief Executive Officer
(Duly Authorized Officer)

Date: 8/6/92

By: Thomas B Konopacki

Thomas B. Konopacki
Executive Vice President
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934.

For Quarter Ended June 27, 1992 Commission file number 0-7469

TJ INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	82-0250992
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

380 E. ParkCenter Boulevard
BOISE, IDAHO 83706
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (208) 345-8500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for each shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. July 31, 1992, 6,522,856 shares of $1 par value common stock, excluding 1,383,803 shares held as treasury stock.

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TJ INTERNATIONAL, INC.

PART I. Financial Information

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments necessary to present fairly the results for the periods presented have been included therein. The adjustments made were of a normal, recurring nature. Certain information and footnote disclosure normally included in financial statements have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is recommended that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

The results of operations for the periods presented are not necessarily indicative of the results that might be expected for the fiscal year.

TJ INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 27, 1992, DECEMBER 28, 1991 AND JUNE 29, 1991
(Unaudited)

(amounts in thousands)

	June 27, 1992	Dec. 28, 1991	June 29, 1991
Assets			
Current assets			
Cash and short-term investments	$ ---	$460	$1,438
Receivables, less allowances of $928,000, $1,079,000 and $600,000	45,263	21,292	27,394
Inventories	53,446	38,839	38,995
Other	8,222	8,272	5,153
	106,931	68,863	73,180
Property and equipment	326,848	311,065	171,537
Less - accumulated depreciation	(96,703)	(82,858)	(74,628)
	230,145	228,207	96,909
Goodwill	25,220	25,740	---
Unexpended bond funds	3,296	4,363	5,194
Other assets	7,709	7,714	2,514
	$373,301	$334,887	$177,797
Liabilities and stockholders' equity			
Current liabilities			
Notes payable	$40,584	$7,631	$9,248
Current portion of long-term debt	1,181	2,557	2,457
Accounts payable	18,072	20,185	13,875
Accrued liabilities	24,041	20,725	14,029
Income taxes payable	---	---	709
	83,878	51,098	40,318
Long-term debt, less current portion	32,279	26,392	26,799
Deferred income taxes	15,554	16,366	15,184
Other long-term liabilities	7,174	7,698	5,883
Minority interest in Partnership	106,840	106,439	---
Stockholders' equity:			
ESOP convertible preferred stock, $1.00 par value, authorized 2,000,000 shares, issued 633,745, 634,216 and 634,567	14,973	14,983	14,992
Guaranteed ESOP benefit	(13,756)	(14,073)	(14,499)
Common stock, $1.00 par value, authorized 40,000,000 shares, issued 7,906,659, 7,908,730 and 7,913,938	7,907	7,909	7,914
Paid-in capital	44,218	44,722	1,868
Retained earnings	94,453	93,739	99,533
Cumulative translation adjustments	498	1,410	2,104
Treasury stock, 1,389,144 1,437,410 and 1,459,070 shares, at cost	(20,717)	(21,796)	(22,299)
	127,576	126,894	89,613
	$373,301	$334,887	$177,797

TJ INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(amounts in thousands
except per share figures)

	For the fiscal quarter ended		For the two fiscal quarters ended	
	June 27, 1992	June 29, 1991	June 27, 1992	June 29, 1991
Sales	$111,024	$79,679	$186,585	$125,009
Costs and expenses				
Cost of sales	86,756	57,490	148,628	90,672
Selling expenses	13,522	10,557	24,254	19,627
Administrative expenses	9,583	6,713	19,429	12,717
Minority interest in Partnership	(2,971)	---	(7,220)	---
	106,890	74,760	185,091	123,016
Income from operations	4,134	4,919	1,494	1,993
Investment income, net	25	10	71	74
Interest expense	(926)	(430)	(1,394)	(759)
Income before income taxes	3,233	4,499	171	1,308
Income taxes (benefits)	(65)	1,755	(2,321)	510
Net income	$3,298	$2,744	$2,492	$798
Net income per common share				
Primary	$0.46	$0.38	$0.31	$0.06
Fully Diluted	$0.43	$0.35	$0.29	$0.06
Dividends declared per common share	$0.105	$0.105	$0.210	$0.210
Weighted average number of common shares outstanding during the periods				
Primary			6,692	6,650
Fully Diluted			7,330	7,311

TJ INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWO FISCAL QUARTERS ENDED
JUNE 27, 1992 AND JUNE 29, 1991

(Unaudited)

(amounts in thousands)

	June 27, 1992	June 29, 1991
Cash flows from operating activities		
Net income	$ 2,492	$ 798
Items in net income not using cash	9,765	6,363
Change in working capital items:		
Receivables	(21,113)	(8,184)
Inventories	(12,793)	(7,970)
Other current assets	169	427
Accounts payable and accrued liabilities	(945)	5,332
Income taxes payable	---	207
Other, net	443	1,031
Net cash used in operating activities	$ (21,982)	$ (1,996)
Cash flows from investing activities		
Capital expenditures	$ (4,801)	$ (2,823)
Other	701	250
Net cash used in investing activities	$ (4,100)	$ (2,573)
Cash flows from financing activities		
Purchases of treasury stock	$ ---	$ (3,773)
Cash dividends paid	(2,711)	(1,750)
Net borrowings under lines-of-credit	31,050	9,248
Principal payments of long-term debt	(2,935)	(1,050)
Other	218	232
Net cash provided by financing activities	$ 25,622	$ 2,907
Net change in cash and cash equivalents		
Net decrease in cash and cash equivalents	$ (460)	$ (1,662)
Cash and cash equivalents at beginning of year	460	3,100
Cash and cash equivalents at end of period	$ ---	$ 1,438
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 1,495	$ 872
Income taxes	$ ---	$ 645

TJ INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Inventories

Inventories consisted of the following:

(amounts in thousands)

	June 27, 1992	Dec. 28, 1991	June 29, 1991
Finished goods	$25,592	$18,807	$16,811
Raw materials and work-in-progress	30,050	21,829	24,591
	55,642	40,636	41,402
Reduction to LIFO cost	(2,196)	(1,797)	(2,407)
	$53,446	$38,839	$38,995

The determination of inventory under the LIFO method can be made only at the end of each fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on the Company's estimates of expected year-end inventory levels and costs. Since these estimates are subject to many forces beyond the Company's control, interim results could possibly be affected by the final year-end LIFO inventory valuation.

Long-term Debt

In connection with the March 30, 1992 acquisition of Laflamme & Frere (Laflamme), a Quebec wood window subsidiary, long-term debt increased $7,446,000 because of Laflamme debt assumed by the Company and the financing of the purchase price.

Net Income Per Common Share

Primary net income per common share is based on net income as adjusted, divided by the weighted average number of common shares outstanding after giving effect to stock options as common stock equivalents. Fully diluted net income per common share assumes full conversion of the ESOP convertible stock into common stock at the date of issuance.

Primary net income was calculated as follows:

	For the fiscal quarter ended		For the two fiscal quarters ended	
	June 27, 1992	June 29, 1991	June 27, 1992	June 29, 1991
Net income as reported	$ 3,298	$ 2,744	$ 2,492	$ 798
Preferred stock dividends, net of tax	(206)	(206)	(412)	(412)
Primary net income	$ 3,092	$ 2,538	$ 2,080	$ 386

Fully diluted net income was calculated as follows:

	For the fiscal quarter ended		For the two fiscal quarters ended	
	June 27, 1992	June 29, 1991	June 27, 1992	June 29, 1991
Net income as reported	$ 3,298	$ 2,744	$ 2,492	$ 798
Additional ESOP contribution payable upon assumed conversion of ESOP preferred stock, net of tax	(165)	(167)	(331)	(331)
Fully diluted net income	$ 3,133	$ 2,577	$ 2,161	$ 467

Reclassifications

Certain reclassifications have been made, none of which affected net income, to conform prior years' information to the current year's presentation.

TJ INTERNATIONAL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL QUARTER ENDED JUNE 27, 1992

OPERATING RESULTS

The following comments discuss material variations in the results of operations for the comparative periods presented in the condensed consolidated statements of income.

Sales

The Company's sales by quarter during the current year and for the preceding four years are as follows:

Sales by Quarter
(amounts in thousands)

Quarter	1992	1991	1990	1989	1988
First	$ 75,561	$ 45,330	$ 74,370	$ 67,845	$ 59,384
Second	111,024	79,679	98,185	95,384	86,585
Third		84,838	89,930	103,897	96,835
Fourth		73,363	64,987	84,011	72,197
		$283,210	$327,472	$351,137	$315,001

Second Quarter of 1992 Compared With the Second Quarter of 1991

Sales for the second quarter 1992 increased by $31,345,000 or 39% from the same period last year. Increasing customer acceptance of the broad range of structural products offered by Trus Joist MacMillan, the Company's 51% owned joint venture partnership (the Partnership) was the primary reason for the strong second quarter. Other contributors included increased market penetration by the Company's wood window subsidiaries in both the United States and Canada, and inclusion of operating results from Laflamme, the Quebec wood window subsidiary acquired March 30, 1992. Additionally, affordable interest rates have sparked modestly higher new housing starts.

Income from operations for the second quarter of 1992 decreased by $785,000 primarily because of significantly higher raw material costs, competitive market pressures which prevented some of the higher costs from being passed through and the Company's share of the start up losses incurred by the Partnership on the two new engineered wood technologies Parallam® lumber and Timberstrand™ lumber (formerly referred to as PSL 300™ lumber). Net income increased $554,000 for the same periods due to estimated tax benefits resulting from the income allocation in the Partnership agreement.

The improvement in sales was broad-based, encompassing all residential product lines and all major geographical market areas except California. Structural products sold by the Partnership showed a 39% increase and wood window products a 40% increase from the second quarter of 1991. Sales of Partnership products which were not available in the second quarter last year, primarily Parallam® lumber, added to the increase in structural products sales. Wood window sales represented approximately 29% of the Company's total sales in the second quarter of 1992, slightly higher than the 28% for the comparable period last year.

Gross operating margins as a percent of sales were 25%, after considering the Minority interest in Partnership, and 28%, respectively, for the second quarters of 1992 and 1991. Considerably higher wood fiber costs across all product lines were partially offset by the better absorption of fixed overheads from increased production volumes.

Selling expenses increased in absolute dollar terms but decreased as a percent of sales. The decrease was primarily the result of distribution facility shutdowns and reorganizations at the end of 1991 coupled with efficiencies which occur because of the increased sales volumes. The changes at the end of 1991 have had the effect of cutting overhead and containing costs while maintaining a strong marketing and sales force.

Administrative expenses remained essentially the same percent of sales, increasing in dollar terms. The dollar increase is caused in large part by the expenses related to the operation of the Partnership.

First Two Quarters of 1992 Compared With the First Two Quarters of 1991

Sales for the first two quarters of 1992 increased by $61,576,000 or 49% from the same period for 1991. Income from operations for the first two quarters decreased $499,000 while net income increased $1,694,000 from the same period last year.

Structural product sales increased by 49% as did wood window sales from the comparable period last year. Wood window sales represented approximately 26% of the Company's total sales in first two quarters of both 1992 and 1991.

The gross operating margin percentage, after considering the Minority interest in Partnership, was 24% for the first six months of 1992 compared to 27% for the first half of 1991. The significantly higher raw material costs for virtually all product lines were only partially offset by sales price increases and better absorption of fixed overheads from the higher production volumes. The comparative results were lower also because of the Company's share of the costs associated with the continued start-up nature of the two new engineered wood technologies.

Selling expenses increased in absolute dollar terms but decreased as a percent of sales. Administrative expenses remained essentially the same percent of sales, increasing in dollar terms. Both these six-month comparisons paralleled the second quarter comparisons discussed earlier.

Order files are stronger at the end of June, 1992, than they were at the end of June, 1991. The Company anticipates that the rate at which new housing improves during the balance of 1992 will continue to trend upward. If it does, the Company expects to make money, maintain significant rates of sales growth, and increase market share over the balance of the year.

A number of companies, including several large forest products companies, now produce wood I-joist products and laminated veneer lumber, which are the highest volume structural composite lumber and engineered wood products manufactured by the Partnership. No other company, however, possesses the Partnership's range of structural composite lumber products. While competition helps expand the market for engineered wood products, including those manufactured by the Company, it also makes the existing market more competitive. It is likely these trends will continue for the foreseeable future.

Income tax benefits for the second quarter and first six months of 1992 reflect, on a pro-rata basis, estimated tax benefits resulting from the income allocation provisions in the Partnership Agreement. Absent these provisions, the effective tax rate would have been estimated to be 39.0%. At this time last year, income taxes were recorded based on an estimated effective tax rate for 1991 of 39.0%. It was adjusted during the third and fourth quarters 1991 to reflect the formation of the Partnership.

No decision has yet been made as to when the Company will implement SFAS No. 109, nor has the financial impact of implementation been calculated. The Company has not decided whether it will restate prior financial statements or record the financial impact in the reporting period when it is adopted. Several factors make it hard to determine the effect the change will have on the Company's reported consolidated financial position and results of operations: the complexity of the new accounting requirements, recent revisions to the federal tax law, the formation of the Partnership and the effect of the Company's acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

June 27, 1992, Compared to December 28, 1991

Working capital increased $5,288,000 during the six months ended June 27, 1992. Cash was used and short-term debt incurred to fund current operations, long-term debt maturities, capital expenditures and dividend payments. Receivables, inventories and accrued liabilities were higher because of the increased level of operations at the end of the second quarter versus year-end. Accounts payable were lower primarily because the payable to MacMillan Bloedel (MB) for capital expenditures on the Deerwood, Minnesota, Timberstrand lumber manufacturing facility was paid by incurring short-term debt during the second quarter 1992.

June 27, 1992, Compared to June 29, 1991

Working capital at June 27, 1992 was $9,809,000 lower than it was at June 29, 1991. With the formation of the Partnership during the fourth quarter of 1991 and the acquisition of Laflamme during the second quarter of 1992, all significant elements of working capital have increased. Internally generated funds, coupled with a net increase of $31,336,000 in short-term notes payable, were sufficient to meet the Company's operating needs, including dividend payments, payment of the payable to MB for capital expenditures and long-term debt maturities. In the last 12 months, the Company has expended approximately $10,840,000 on property and equipment, a major portion of which was funded from working capital. The balance, approximately $1,898,000, was funded from the proceeds for the bonds issued to finance the acquisition and expansion of Norco's Idaho wood window manufacturing facility.

Balance of 1992

The short-term notes payable at June 27, 1992 are to finance working capital needs and capital expenditures until funds are available from operations and/or the issuance of long-term debt. The Company expects to continue using its short-term lines of credit as needed to fund operations and may elect to complete the balance of the $15 million stock repurchase program.

The funding for capital expenditures during the balance of 1992 should be available from internally generated sources or, if for the Idaho wood window plant, from industrial revenue bond proceeds. The Partnership may choose to finance on a long-term basis the short-term debt incurred to pay the payable to MB for capital expenditures at the Timberstrand lumber facility. It is also anticipated that other capital expenditures will be undertaken in both the Partnership and wood window operations in 1992 and thereafter. Financing for such expenditures will come from either working capital or outside sources depending upon the needs and financial markets at the time of the capital expenditures. Other long-term financing may be incurred if required to finance future acquisitions.

The Company believes that additional or expanded lines of credit could be obtained should the need for additional major capital expenditures or working capital arise. It also believes the appropriate long-term capital would be available should such financing become necessary to fund an acquisition, other non-operating needs or any additional expansion of the Company's facilities or operations.

TJ INTERNATIONAL, INC.
PART II
Other Information

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended June 27, 1992.

TJ INTERNATIONAL INC.
SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TJ INTERNATIONAL, INC.

/s/ Richard B. Drury

Richard B. Drury
Corporate Secretary & Treasurer

Date: August 7, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1992

(   ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to________________

Commission file number 0-7961

TPI ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

NEW JERSEY (State or other jurisdiction of incorporation or organization)	22-1899681 (I.R.S. Employer Identification No.)
885 THIRD AVENUE NEW YORK, NEW YORK (Address of principal executive offices)	10022 (Zip Code)

Registrant's telephone number, including area code (212) 230-2233

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO _____

Number of issued and outstanding shares of common stock, par value $.01 per share, as at August 10, 1992, 18,135,364 shares.

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PART I - FINANCIAL INFORMATION

Company or group of companies for which information is furnished:

Telecom Plus Leasing, Inc.
Telecom Plus of Downstate New York, Inc.
Telecom Plus Consumer Products, Corp.
Telecom Plus Shared Tenants Services, Inc.
Telecom Plus Shared Tenants Services/Universal, Inc. (1)
Telecom Plus Shared Tenants Services/Barton, Inc. (1)
Telecom Plus Shared Tenants Services/Charter, Inc. (1)
Telecom Plus Shared Tenants Services/Brickell, Inc. (1)
Maxcell Telecom Plus, Inc.
Maxcell Telecom Plus of Birmingham, Inc. (2)
Maxcell Telecom Plus of Massachusetts, Inc. (2)
Maxcell Telecom Plus of Connecticut, Inc. (2)
Maxcell Telecom Plus of Chattanooga, Inc. (2)
Maxcell Telecom Plus of Tennessee, Inc. (2)
Maxcell Telecom Plus of Georgia, Inc. (2)
Maxicom, Inc. (2)
Maxcell Telecom Plus of Tampa, Inc. (2)
Delta Cellular, Inc. (2)
Maxcell Telecom Plus of Tri-Cities, Inc. (2)
Maxcell Telecom Plus of Knoxville, Inc. (2)
Maxcell Telecom Plus of Nashville, Inc. (2)
Maxcell Telecom Plus of Jacksonville, Inc. (2)
Maxcell Telecom Plus of Louisville, Inc. (2)
Maxcell Telecom Plus of Orlando, Inc. (2)
Maxcell Telecom Plus of West Palm Beach, Inc. (2)
Cellular Systems Investments, Inc. (2)
CSII of the Piedmont, Inc. (3)
CSII of Baton Rouge, Inc. (3)
TPI Restaurants, Inc.
Shoney's Construction, Inc. (4)
Mid-South Restaurant Distributors, Inc. (4)
Danver's International, Inc. (4)
Danver's Nashville, Inc. (5)
The Insurex Agency, Inc. (4)
Insurex Benefit Administrators, Inc. (4)
TPI Entertainment, Inc.

(1) Wholly-owned subsidiaries of Telecom Plus Shared Tenants Services, Inc.
(2) Wholly-owned subsidiaries of Maxcell Telecom Plus, Inc.
(3) Wholly-owned subsidiaries of Cellular Systems Investments, Inc.
(4) Wholly-owned subsidiaries of TPI Restaurants, Inc.
(5) Wholly-owned subsidiary of Danver's International, Inc.

ITEM 1. FINANCIAL STATEMENTS

TPI ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	JUNE 30, 1992 (Unaudited)	DECEMBER 31, 1991 (Note)
	(dollars in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 36,685	$ 52,070
Restricted cash deposits	11,700	11,700
Accounts receivable trade, less allowance for doubtful accounts of $30 in 1992 and $28 in 1991	1,147	1,467
Inventories	13,690	12,899
Deferred tax benefit	4,674	4,618
Other current assets	2,680	8,246
TOTAL CURRENT ASSETS	70,576	91,000
PROPERTY AND EQUIPMENT (at cost)	176,310	164,999
Less accumulated depreciation and amortization	42,093	35,928
	134,217	129,071
OTHER ASSETS		
Investment in Exhibition Enterprises Partnership, held for sale	7,522	7,667
Goodwill (net of accumulated amortization of $5,004 in 1992 and $4,316 in 1991)	40,823	41,511
Other intangible assets (net of accumulated amortization of $2,924 in 1992 and $4,291 in 1991)	11,940	12,500
Other	2,803	1,045
	63,088	62,723
	$267,881	$282,794

NOTE: The balance sheet at December 31, 1991 has been taken from the audited financial statements at that date.

See notes to consolidated financial statements.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(concluded)

LIABILITIES AND SHAREHOLDERS' EQUITY

	JUNE 30, 1992 (Unaudited)	DECEMBER 31, 1991 (Note)
	(dollars in thousands)	
CURRENT LIABILITIES		
Notes payable	$ 2,100	$ 4,250
Current portion of long-term debt	2,211	14,655
Accounts payable - trade	17,286	14,943
Accrued expenses and other current liabilities	25,387	26,219
Income taxes currently payable	2,222	2,810
TOTAL CURRENT LIABILITIES	49,206	62,877
LONG-TERM DEBT	106,658	107,710
DEFERRED INCOME TAXES	10,331	10,563
OTHER LIABILITIES	4,536	4,326
SHAREHOLDERS' EQUITY		
Preferred shares - no par value - Authorized - 20,000,000 shares; None issued and outstanding	---	---
Common shares - $.01 par value - Authorized - 100,000,000 shares; Issued - 30,967,762 shares in 1992 and 30,932,295 in 1991	310	309
Additional paid-in capital	207,047	206,858
Deficit	(40,262)	(39,904)
	167,095	167,263
Less treasury stock, at cost 12,846,094 common shares in 1992 and 1991	69,945	69,945
TOTAL SHAREHOLDERS' EQUITY	97,150	97,318
	$267,881	$282,794

NOTE: The balance sheet at December 31, 1991 has been taken from the audited financial statements at that date.

See notes to consolidated financial statements.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	SIX MONTHS ENDED JUNE 30,		QUARTER ENDED JUNE 30,	
	1992	1991	1992	1991
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands except per share data)			
RESTAURANT REVENUES	$ 152,429	$ 144,468	$ 68,450	$ 64,754
COSTS AND EXPENSES				
Food and supplies	53,487	53,230	23,647	24,794
Labor	37,223	35,589	16,695	15,861
Other restaurant operating expenses	20,751	19,575	9,325	8,701
Taxes other than income taxes	6,619	6,341	2,956	2,752
Depreciation and amortization	7,883	7,502	3,482	3,265
Selling, general and administrative	17,619	18,260	7,767	8,208
	143,582	140,497	63,872	63,581
OPERATING INCOME	8,847	3,971	4,578	1,173
OTHER INCOME AND EXPENSES				
Interest income	2,904	915	455	430
Interest expense	(9,112)	(9,780)	(3,699)	(4,224)
Other	45	(1,700)	(15)	(1,816)
	(6,163)	(10,565)	(3,259)	(5,610)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	2,684	(6,594)	1,319	(4,437)
PROVISION (BENEFIT) FOR INCOME TAXES	1,571	(1,722)	688	(1,360)
INCOME (LOSS) FROM CONTINUING OPERATIONS (carried forward)	$ 1,113	$ (4,872)	$ 631	$ (3,077)

TPI ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Continued)

	SIX MONTHS ENDED JUNE 30,		QUARTER ENDED JUNE 30,	
	1992	1991	1992	1991
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands except per share data)			
INCOME (LOSS) FROM CONTINUING OPERATIONS (brought forward)	$ 1,113	$ (4,872)	$ 631	$ (3,077)
DISCONTINUED OPERATIONS				
Loss from discontinued operations, net of income tax benefit of $1,161 and $798 for the six months and quarter ended June 30, 1991, respectively	---	(2,358)	---	(1,458)
Gain on disposal of discontinued operations, net of income tax of $4,438 for the quarter and six months ended June 30, 1992	---	7,922	---	7,922
	---	5,564	---	6,464
INCOME BEFORE EXTRAORDINARY ITEM	1,113	692	631	3,387
EXTRAORDINARY ITEM				
Loss on early extinguishment of debt, net of income tax benefit of $900 and $162 for the six months and quarter ended June 30, 1992, respectively	(1,471)	---	(265)	---
NET (LOSS) INCOME	$ (358)	$ 692	$ 366	$ 3,387
NET INCOME (LOSS) PER COMMON SHARE				
Continuing Operations	$ .06	$ (.24)	$ .03	$ (.16)
Discontinued Operations	---	.27	---	.34
Extraordinary Item	(.08)	---	(.01)	---
NET (LOSS) INCOME PER COMMON SHARE	$ (.02)	$ .03	$ .02	$ .18
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	18,222	20,315	18,213	18,771

See notes to consolidated financial statements.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30,	
	1992 (Unaudited)	1991 (Unaudited)
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) from continuing operations	$ 1,113	$ (4,872)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided:		
Depreciation and amortization	7,883	7,502
Deferred income taxes	(740)	1,081
Changes in assets and liabilities, net of effects of acquisitions and dispositions of businesses:		
Accounts receivable	313	133
Inventories	(791)	(4,487)
Other current assets	5,563	2,037
Other assets	(1,758)	(235)
Accounts payable	2,699	5,296
Accrued expenses and other current liabilities	504	(4,252)
Income taxes currently payable	(589)	(246)
Other liabilities	210	132
	14,407	2,089
Extraordinary item		
Loss on early extinguishment of debt	(1,471)	---
Net cash provided by continuing operations	12,936	2,089
Discontinued operations:		
Net income	---	5,564
Depreciation and amortization	---	3,909
Deferred income taxes	452	(184)
Gain on disposal of discontinued operations	---	(7,922)
Net investments and cash used in theatre operations	(1,538)	(5,500)
Net cash used in discontinued operations	(1,086)	(4,133)
Net cash provided by (used in) operating activities	11,850	(2,044)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Discontinued operations:		
Proceeds of stock sale receivable	---	(2,000)
Deferred gain on disposal of subsidiaries	---	3,457
Costs of disposition of theatre operations	---	(2,037)
Income taxes related to disposal	---	(4,438)
Acquisition of property and equipment	(13,657)	(8,805)
Disposition of property and equipment	2,489	1,538
Proceeds from sale-leaseback transactions	2,030	---
Other	185	200
Net cash used in investing activities	$ (8,953)	$ (12,085)

See notes to consolidated financial statements.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(concluded)

	SIX MONTHS ENDED JUNE 30,	
	1992 (Unaudited)	1991 (Unaudited)
	(in thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt financing:		
Restricted cash deposits	$ ---	$ (11,700)
Short-term borrowing	45,500	16,486
Short-term loan reductions	(47,650)	(15,986)
Other long-term debt increases	424	---
Other long-term debt reductions	(16,746)	(284)
Common shares issued	190	184
Net cash used in financing activities	(18,282)	(11,300)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,385)	(25,429)
CASH AND CASH EQUIVALENTS, beginning of period	52,070	40,753
CASH AND CASH EQUIVALENTS, end of period	$ 36,685	$ 15,324
CASH PAID DURING THE PERIOD (including discontinued operations) FOR:		
Interest, net of amount capitalized	$ 8,790	$ 12,302
Income taxes	$ 1,548	$ 904

NONCASH TRANSACTIONS:

In connection with the formation of Exhibition Enterprises Partnership (the "Partnership"), TPI Entertainment, Inc. ("Entertainment") contributed to the Partnership approximately $258,000 of inventory, $66,404,000 of property and equipment, $12,346,000 of goodwill and $43,915,000 of other intangible assets, the Partnership assumed Entertainment's long-term debt of approximately $97,395,000 and the Company, through Entertainment, received 3,800,000 of the Company's common shares valued at approximately $24,225,000 and, 120 days later, received a payment of approximately $4,723,000 which included approximately $152,000 of interest and was net of approximately $1,300,000 of Entertainment's accrued expenses at April 18, 1991 which were paid by the Partnership (Note 2).

Additions to obligations under capital leases amounted to approximately $2,826,000 in 1992 and $821,000 in 1991. Capital lease additions in 1992 include approximately $1,254,000 relating to sale-leaseback transactions.

See notes to consolidated financial statements.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of June 30, 1992 and the consolidated statements of operations and cash flows for the periods ended June 30, 1992 and 1991, have been prepared by the Company without audit. TPI Restaurants, Inc. ("Restaurants"), a wholly-owned subsidiary of the Company, maintains its books on a 52-53 week fiscal year. The Company's consolidated results of operations for the quarters ended June 30, 1992 and 1991 include the results of Restaurants for the twelve and twenty-eight week periods ended July 12, 1992 and July 14, 1991, respectively. The operating results of the Company's theatre-related operations have been reclassified to discontinued operations and certain other amounts appearing for the period ended June 30, 1991 have been reclassified to conform to the presentation for the period ended June 30, 1992. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position at June 30, 1992 and the consolidated results of operations and consolidated cash flows for the periods ended June 30, 1992 and 1991, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the 1991 audited financial statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 1991. The results of operations for the quarters and six-month periods ended June 30, 1992 and 1991 are not necessarily indicative of the operating results for the full year.

NOTE 2 - DISCONTINUED OPERATIONS

TPI ENTERTAINMENT, INC.

At the end of 1991, the Company resolved to offer for sale its 50% interest in Exhibition Enterprises Partnership (the "Partnership") which is owned by the Company's wholly-owned subsidiary, TPI Entertainment, Inc. ("Entertainment"). Accordingly, the consolidated financial statements reflect all theatre operations as discontinued operations, and the Company's investment in the Partnership has been designated as "held for sale" on the consolidated balance sheets. Further, because the Company anticipates that it will receive proceeds from the sale of its interest in the Partnership in excess of its carrying value at December 31, 1991, the Company has not recorded its proportionate share of the Partnership loss for the quarter and six-month periods ended June 30, 1992.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

On April 25, 1991, in connection with the formation of the Partnership, Entertainment contributed to the Partnership approximately $258,000 of inventory, $66,404,000 of property and equipment, $12,346,000 of goodwill and $43,915,000 of other intangible assets, the Partnership assumed Entertainment's long-term debt of approximately $97,395,000 and the Company, through Entertainment, received 3,800,000 of the Company's common shares valued at approximately $24,225,000 and, 120 days later, received a payment of approximately $4,723,000 which included approximately $152,000 of interest and was net of approximately $1,300,000 of Entertainment's accrued expenses at April 18, 1991 which were paid by the Partnership. As a result of Entertainment's receipt of the aforementioned proceeds, Entertainment recognized a pre-tax gain of approximately $12,360,000 during the second quarter of 1991, which was net of Entertainment's costs in connection with the Partnership agreement and which has been classified as a gain on disposal of discontinued operations, net of income taxes.

The following condensed balance sheet reflects the financial position of the Partnership as of June 25, 1992, the last day of the Partnership's fiscal quarter.

	(Unaudited) (in thousands)
ASSETS	
Cash and cash equivalents	$ 2,421
Receivables	162
Property, net	62,919
Intangible assets, net	50,492
Other assets	3,416
TOTAL ASSETS	$119,410
LIABILITIES AND PARTNERS' CAPITAL	
Accounts payable	$ 6,849
Accrued expenses and other current liabilities	5,432
Borrowings, including current portion of long-term debt	92,527
TOTAL LIABILITIES	104,808
PARTNERS' CAPITAL	14,602
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$119,140

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Results of theatre operations, including operations prior to the commencement of the Partnership's operations, are as follows:

	26 WEEKS FROM DECEMBER 29, 1991 TO JUNE 25, 1992 (Partnership) (Unaudited)	25 WEEKS FROM JANUARY 4, TO JUNE 27, 1991 (Combined) (Unaudited)	13 WEEKS FROM MARCH 27, TO JUNE 25, 1992 (Partnership) (Unaudited)	12 WEEKS FROM APRIL 5, TO JUNE 27, 1991 (Combined) (Unaudited)
		(in thousands)		
Revenue	$ 70,500	$ 62,757	$ 35,116	$ 28,070
Costs and expenses				
Cost of theatre operations	56,195	50,986	28,130	23,651
Depreciation and amortization	6,286	6,193	3,038	2,754
Selling, general and administrative	3,797	3,593	1,925	1,360
	66,278	60,772	33,093	27,765
Operating income	4,222	1,985	2,023	305
Other income and expenses				
Investment and other income, net	202	334	65	217
Interest expense	(5,157)	(6,077)	(2,582)	(2,938)
	(4,955)	(5,743)	(2,517)	(2,721)
Net loss	$ (733)	$ (3,758)	$ (494)	$ (2,416)

In addition, the Company receives an administrative fee of 1/4% of Theatre Revenue from the theatre operations which is included in the results of discontinued operations for 1991. The fee which will be paid to the Company for 1992, in excess of current expenses of Entertainment, will be deducted from the carrying value of the Partnership. Such fee amounted to approximately $88,000 and $76,000 for the quarters ended June 25, 1992 and June 27, 1991, respectively and to approximately $175,000 and $156,000 respectively, for the twenty-six and twenty-five week periods then ended.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 3 - REFINANCING, NOTES PAYABLE AND EXISTING LONG-TERM DEBT

Refinancing

On August 6, 1992, the Company completed the refinancing (the "Refinancing") of Restaurants' 14.25% Senior Subordinated Notes (the "Notes"). Pursuant to the Refinancing, the Company issued $51,750,000 aggregate principal amount of its 8-1/4% Convertible Subordinated Debentures due 2002 (the "Debentures"), which are guaranteed by Restaurants on a subordinated basis, and Restaurants entered into a new credit agreement with a syndicate of banks (the "Banks") providing for term and revolving credit facilities totalling $55,000,000 (the "Credit Facilities"). The net proceeds from the Debenture offering (the "Offering"), together with $45,000,000 of existing corporate funds, were contributed to Restaurants by the Company and were used by Restaurants along with borrowings under the Credit Facilities to repurchase approximately $97,500,000 aggregate principal amount of the Notes. Approximately $81,650,000 aggregate principal amount of the Notes were repurchased pursuant to a tender offer (the "Tender Offer"), at a total cost of approximately $95,000,000 including premium, consent fees and accrued interest to July 29, 1992. An additional $15,850,000 aggregate principal amount of the Notes, previously purchased by the Company for $17,798,000 prior to May 1, 1992, were repurchased by Restaurants at a total cost of approximately $18,300,000, which amount represented the Company's cost plus accrued interest to July 29, 1992 (the "Intercompany Repurchase").

Debentures

The net proceeds to the Company from the Offering were approximately $48,000,000, net of the underwriting discount and estimated expenses, and were provided to Restaurants. Interest on the Debentures accrues from July 29, 1992 and is payable on January 15 and July 15 commencing January 15, 1993. The Debentures are convertible at the option of the holder into common shares of the Company ("Common Shares") at any time prior to maturity, unless previously redeemed or repurchased, at a conversion price of $6.50 per share, subject to adjustment in certain events.

The Debentures mature on July 15, 2002 and are redeemable, in whole or in part, at the option of the Company at any time on or after July 15, 1995, initially at 105.775% of their principal amount and declining to 100% of their principal amount on July 15, 2002, together with accrued and unpaid interest. The Debenture holders may also require the Company to repurchase the Debentures, in whole or in part, in certain circumstances involving a change in control of the Company as defined in the indenture covering the Debentures (the "Indenture"). However, a change in control, as defined in the Indenture, will create an event of default under the Credit Facilities and, as a result, any repurchase would, absent a waiver, be blocked by the subordination provisions of the Indenture until the Credit Facilities (and any other senior indebtedness of the Company and senior indebtedness of the Guarantor with respect to which there is a payment default) have been repaid in full.

The Debentures are unconditionally guaranteed (the "Guarantee") on a subordinated basis by Restaurants (the "Guarantor"). The Debentures and the Guarantee are subordinated to all existing and future senior indebtedness, as defined in the Indenture, of the Company and Restaurants, respectively, and are also effectively subordinated to all indebtedness of the other subsidiaries of the Company and the subsidiaries of Restaurants. The Indenture does not prohibit or limit the ability of the Company or any of its subsidiaries to incur additional indebtedness, including indebtedness which will rank senior to the Debentures.

Credit Facilities

On July 29, 1992, simultaneously with the consummation of the Offering and the Tender Offer, Restaurants entered into the credit agreement covering the Credit Facilities. The Credit Facilities consist of a $30,000,000 term loan facility (the "Term Loan Facility") and a $25,000,000 revolving credit facility (the "Revolving Credit Facility"). Up to $20,000,000 of the Revolving Credit Facility is available for direct borrowings by Restaurants (the "Revolving Borrowings") for general corporate purposes. A portion of the Revolving Credit Facility is also available for letters of credit.

The Term Loan Facility, of which the entire $30,000,000 has been borrowed, matures approximately five years after closing and is payable in 20 consecutive quarterly installments of $750,000 per quarter during the first two years of the Term Loan and $2,000,000 per quarter for the remainder of the Term Loan. The Revolving Credit Facility matures two years after closing at which time Revolving Borrowings will be required to be repaid in full. Because the Credit Facilities do not permit the obtaining of a replacement for the Revolving Credit Facility from another lender, Restaurants will likely be required to refinance the entire amount of the Credit Facilities upon the expiration of the Revolving Credit Facility unless the Banks extend the Revolving Credit Facility.

The Term Loan and Revolving Borrowings will initially bear interest, at the option of Restaurants, at either (i) the Alternate Base Rate (as defined below) plus 1.50% (the "Alternate Base Rate Margin") or (ii) LIBOR (adjusted for reserves) for interest periods of 1, 2, 3, or 6 months, plus 2.50% (the "LIBOR Margin"). After the second fiscal quarter of 1993, the applicable interest margin will be adjusted from time to time based upon certain financial ratios of Restaurants. The Alternate Base Rate Margin may vary from 0.50% to 1.75% and the LIBOR Margin may vary from 1.50% to 2.75%. The "Alternate Base Rate" is the greater of (a) the prime commercial lending rate as publicly announced to be in effect from time to time of one of the Banks, and (b) 0.50% plus the federal funds rate (as published by the Federal Reserve Bank of New York). An additional amount of interest will be payable if any payment of principal or interest is not paid when due. Restaurants has agreed to pay certain fees and expenses of the Banks in connection with the original commitment letter and Credit Facilities which, together with Restaurants' other costs in connection with obtaining the Credit Facilities, total approximately $2,000,000 and has also agreed to indemnify the Banks against certain liabilities. Restaurants has also agreed to pay various fees and expenses in connection with letters of credit to be issued against the Revolving Credit Facility and a commitment fee equal to 0.50% per annum on the average daily unused amount of the Revolving Credit Facility and the Term Loan Facility.

The borrowings under the Credit Facilities have been initially secured by all shares of the capital stock of Restaurants whenever issued, intercompany debt of Restaurants owed to the Company and lease assignments with respect to certain premises in which the land is currently leased but the building located thereon is owned by Restaurants. In addition, the Banks have the right to obtain, as security, assignments of other leases and/or mortgages on real property currently owned or hereafter acquired. Notwithstanding the foregoing, Restaurants has rights to finance certain of these properties and obtain a release of the collateral under certain conditions. The Company has irrevocably and unconditionally guaranteed the full and prompt payment when due of all obligations of Restaurants under the Credit Facilities.

The Credit Facilities limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, pay dividends, issue preferred stock of subsidiaries, repay indebtedness prior to its stated maturity, create liens, sell assets or engage in mergers or acquisitions, make certain capital expenditures and make investments in subsidiaries. Restaurants must also maintain certain financial ratios.

Tender Offer and Consent Solicitation

Pursuant to the Tender Offer which commenced on June 12, 1992 and which was amended on July 6, 1992, Restaurants offered to purchase $84,150,000 aggregate principal amount of the Notes at an aggregate cash purchase price of $1,140 per $1,000 principal amount of such Notes plus accrued interest thereon, which consisted of $1,080 per $1,000 principal amount for validly tendered Notes and $60 per $1,000 principal amount for validly delivered consents to certain amendments (the "Amendments") to the indenture covering the Notes (the "14.25% Indenture"). The Amendments, adopted pursuant to the supplemental indenture to the 14.25% Indenture dated July 20, 1992, modified certain covenants in the 14.25% Indenture relating to, among other things, dividends and other restricted payments, incurrence of indebtedness and transactions with affiliates, in order to facilitate the Refinancing. $81,676,000 principal amount of the Notes were accepted for purchase and paid for by the Company. The Company had previously purchased $15,850,000 aggregate principal amount of the Notes in the open market.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Notes Payable

Notes payable consists of advances to Restaurants by a bank of $2,100,000 and $4,250,000 as of June 30, 1992 and December 31, 1991, respectively, pursuant to a $10,000,000 line of credit which was extended until the closing of the Credit Facilities on July 29, 1992. In connection with the line of credit, the Company had pledged a $6,000,000 certificate of deposit as security for Restaurants' repayment of the first $6,000,000 of any outstanding balances on the credit line and guaranteed Restaurants' repayment of any remaining balance of the credit line. At June 30, 1992 interest was payable at 7%. As of June 30, 1992 and December 31, 1991, Restaurants' standby letters of credit amounted to $7,780,000 and $8,740,000, respectively, and were secured by a $5,700,000 certificate of deposit of the Company. Pursuant to the Refinancing, the line of credit was repaid, the outstanding letters of credit have been deemed issued pursuant to the Revolving Credit Facility and the certificates of deposit which had been securing the obligations of Restaurants and which are reflected as restricted cash deposits on the consolidated balance sheets, became available for general corporate purposes.

As of June 30, 1992 and December 31, 1991, respectively, Entertainment was contingently liable for approximately $375,000 and $875,000 of standby letters of credit.

Existing Long-Term Debt

Long-term debt is summarized as follows:

	JUNE 30, 1992 (Unaudited)	DECEMBER 31, 1991 (Note)
	(in thousands)	
14.25% Senior Subordinated Notes of Restaurants	$ 84,150	$ 100,000
Notes payable, principally to banks, 7.75% to 10%, payable monthly to 1995, secured by land, buildings and equipment	1,079	729
Obligations under capital leases	23,640	21,636
	108,869	122,365
Less: amounts due within one year	2,211	14,655
	$ 106,658	$ 107,710

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Restaurants issued $100,000,000 principal amount of the Notes in November 1988. Following the Refinancing, on August 11, 1992, Restaurants repurchased an additional $1,000,000 principal amount of the Notes and, consequently, approximately $1,500,000 of the Notes remain outstanding. Interest on the remaining Notes is payable May 15 and November 15. In March 1992 the Company purchased $12,950,000 principal amount of the Notes for $14,549,000 in cash and such notes were reclassified as a current portion of long-term debt on the consolidated balance sheet at December 31, 1991. Through May 1, 1992 the Company purchased an additional $2,900,000 principal amount of the Notes for $3,249,000. The costs of the repurchased notes in excess of their principal amounts, together with the related deferred finance costs, were charged to income as extraordinary items, net of income tax, during 1992 as follows:

	SIX MONTHS ENDED JUNE 30, 1992 (Unaudited)	QUARTER ENDED JUNE 30, 1992 (Unaudited)
	(in thousands)	
Cost of repurchased Notes	$ 17,798	$ 3,249
Principal amount of repurchased Notes	15,850	2,900
	1,948	349
Related deferred finance costs	423	78
Extraordinary charge before income tax benefit	2,371	427
Income tax benefit	900	162
Extraordinary charge, net	$ 1,471	$ 265

The cost of the Notes repurchased pursuant to the Tender Offer and subsequently, in excess of their principal amount, together with the consent fees, the related deferred finance costs and the costs of the Tender Offer, will be charged to income as an extraordinary item, net of income tax, during the third quarter of 1992.

NOTE 4 - TAXES

The provision (benefit) for income taxes for continuing operations is as follows:

	SIX MONTHS ENDED JUNE 30,	
	1992 (Unaudited)	1991 (Unaudited)
	(in thousands)	
Current		
Federal	$ 1,977	$ (2,920)
State and local	334	117
	2,311	(2,803)
Deferred		
Federal	(725)	1,081
State and local	(15)	---
	(740)	1,081
	$ 1,571	$ (1,722)

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The income tax (benefit) for continuing operations is different than the amount that would be computed by multiplying the income (loss) before provision (benefit) for income taxes by the statutory U.S. federal income tax rate for the following reasons:

	SIX MONTHS ENDED JUNE 30,	
	1992 (Unaudited)	1991 (Unaudited)
	(in thousands)	
Income (loss) from continuing operations before provision (benefit) for income taxes	$ 2,684	$ (6,594)
Tax (benefit) at statutory rate of 34%	913	(2,242)
Increases (reductions) in taxes result from:		
State and local income taxes, net of federal income tax benefit	210	78
Amortization of goodwill and other non-deductible items	637	523
Targeted jobs tax credit	(189)	(81)
Total income tax (benefit)	$ 1,571	$ (1,722)

NOTE 5 - LITIGATION

(a) On April 5, 1988, Knoll Capital Management, L.P. ("Knoll") and G.H. Acquisition Investment, Inc. ("G.H. Acquisition") filed a complaint against the Company, Restaurants (then known as Shoney's South, Inc.) and the members of a special committee of Restaurants' Board of Directors that existed shortly prior to and at the time of the acquisition of Restaurants by the Company. The complaint alleges, among other things, that Restaurants entered into an enforceable merger agreement with G.H. Acquisition. Among other things, the complaint states that Restaurants breached the alleged merger agreement and that the Company tortiously interfered with that agreement. The complaint alleges damages from Restaurants and from the Company including, respectively, a $3.5 million termination fee allegedly due under the purported merger agreement and treble damages for the alleged tortious interference. The Company, Restaurants and the members of the special committee have answered the complaint, denying the material allegations therein.

On March 25, 1991 the Company, on behalf of itself and Restaurants, filed a motion for summary judgment dismissing the Knoll complaint. That motion was later joined by the individual defendants. On February 26, 1992, the Court granted the defendants' motion for summary judgment as to four of the five counts set forth in the complaint. In addition, the Court denied the defendants' motion for summary judgment as to the remaining count in the complaint for fraud and deceit against Restaurants. The Company, Restaurants and the special committee members believe they have meritorious defenses to the allegations in the complaint and intend to defend the action vigorously.

(b) On July 26, 1989, the United States Equal Employment Opportunity Commission (the "EEOC") filed a class action complaint against Restaurants. The complaint, filed in U.S. District Court for the Western District of Tennessee, alleges, among other things, that Restaurants discharged a former employee in retaliation for his having complained about segregated job classifications, that it has engaged in and is continuing to engage in unlawful employment practices in its Memphis facilities, and that it has willfully failed to maintain employment records as required by EEOC regulations. These actions, it is alleged, are in violation of Title VII of the Civil Rights Act of 1964. The complaint seeks a permanent injunction enjoining Restaurants from engaging in any employment practice which discriminates on the basis of race and seeks an order requiring Restaurants to make whole those individuals adversely affected by the alleged unlawful employment practices, by reinstating such individuals with back pay. On September 29, 1989 Restaurants answered the complaint denying the material allegations therein and asserting various affirmative defenses.

Restaurants has provisionally agreed with the regional attorney's office of the EEOC upon certain terms of a settlement in this matter, which primarily relates to events occurring prior to Restaurants' acquisition by the Company. Under the settlement, Restaurants would not admit any violation of law but would pay $750,000 to satisfy the back pay/damages portion of the lawsuit. Such amount was charged to operations during the year ended December 31, 1990. Restaurants also would undertake certain affirmative action measures to promote the hiring of minorities over a three-year period. Certain procedural aspects of the settlement, such as goals for affirmative action and the scope of a release, are currently being negotiated with the regional attorney's office. Any settlement reached with that office would be subject to the approval of the general counsel of the EEOC in Washington, D.C. and ultimately of the Court.

Additionally, the Company and its subsidiaries are defendants in various lawsuits arising in the ordinary course of business. It is the opinion of management of the Company that it has meritorious defenses against all such claims as well as the above claims and that the outcome of such litigation will not have a significant adverse effect on the consolidated financial statements. Further, management intends to vigorously defend all such litigation.

TPI ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 6 - COMMON SHARES AND NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is based on the weighted average number of common and common equivalent shares outstanding as follows:

	SIX MONTHS ENDED JUNE 30,		QUARTER ENDED JUNE 30,	
	1992	1991	1992	1991
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in thousands)			
Weighted average number of common shares	18,107	20,269	18,117	18,743
Effects of outstanding stock options	115	46	96	28
Weighted average number of common and common equivalent shares	18,222	20,315	18,213	18,771

The Debentures are convertible at the option of the holder into Common Shares at any time prior to maturity on July 15, 2002, unless previously redeemed or repurchased, at a conversion price of $6.50 per share, subject to adjustment in certain circumstances. Consequently, after August 6, 1992, up to approximately 7,962,000 Common Shares could be issued upon conversion of the Debentures.

NOTE 7 - PENDING ACQUISITION

On April 14, 1992 Restaurants signed a letter of intent to acquire four Shoney's restaurants and the related reserved area in the Boca Raton area of Florida. The proposed transaction is subject to a number of conditions, including approval of the Company's Board of Directors.

NOTE 8 - SUBSEQUENT EVENT

In July 1992, in connection with the relocation of the Company's corporate headquarters, the Company entered into a seven-year lease commencing July 1, 1992, for approximately 4,800 square feet of office space at a base annual rental of approximately $119,000 plus annual increases of five percent. The Company will also pay a pro rata share of operating expenses which are initially estimated to be approximately $45,000 per annum. Rental payments will not commence until August 15, 1992 and the Company will receive a relocation allowance of $50,000. The Company's obligations for rent and operating expenses under its present lease for its New York headquarters, amounting to approximately $540,000 per annum through June 30, 1994, have been substantially provided for in the restructuring charge recorded during the fourth quarter of 1991.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Continuing Operations
Results of Operations

Restaurant Operations

Continuing operations include the operations of TPI Restaurants, Inc. ("Restaurants"), substantially all of whose revenues are derived from restaurant sales. Restaurants maintains its financial records on a 52-53 week fiscal year ending on the last Sunday in December. The first quarterly reporting period consists of 16 weeks and the remaining three quarters are 12 weeks each. Consequently, the results of the Company for the six months and quarter ended June 30, 1992 include the results of Restaurants for the 28 weeks and 12 weeks, respectively. Restaurants' business is seasonal in nature with the second and third fiscal quarters (Spring and Summer) having higher weekly sales volumes than the first and fourth quarters. Since its acquisition by the Company, Restaurants has sought to maximize profitability by improving the quality of the food served at its restaurants, reviewing the condition and location of each restaurant and its respective market and improving the quality of service to its customers. During 1991 and 1992 the number of restaurants operated by the Company were 242 at January 1, and March 31, 1991, 243 at June 30, 1991, 245 at December 31, 1991 and 250 at March 31, and June 30, 1992.

Six Months Ended June 30, 1992
Compared to the Six Months Ended June 30, 1991

Revenues increased approximately $7,961,000, or 5.5%, from approximately $144,468,000 in 1991 to approximately $152,429,000 in 1992. This increase was primarily attributable to additional sales of approximately $7,211,000 from new restaurants built after the second quarter of 1991, approximately $2,654,000 from same store sales increases of 2.2% in the Shoney's concept and .75% in the Captain D's concept and approximately $295,000 from insurance operations. These increases were offset by decreases in revenue from closed stores and the Company's other restaurant concepts totalling approximately $2,199,000.

The cost of food and supplies increased by approximately $257,000, or 0.5%, from approximately $53,230,000 in 1991 to approximately $53,487,000 in 1992. The cost of food and supplies as a percentage of revenue declined from 36.8% to 35.1% between 1991 and 1992. The percentage decrease is due to the Company's improvements in its commissary operations, a general decline in the cost of certain food items purchased by the Company and improved purchase discounts and rebates.

Labor costs increased by approximately $1,634,000 or 4.6% from approximately $35,589,000 in 1991 to approximately $37,223,000 in 1992. Despite an increase in the minimum wage after the first quarter of 1991, labor costs as a percentage of revenue declined from 24.6% in 1991 to 24.4% in 1992. The decline is a result of the Company's continuing efforts to decrease labor costs through the utilization of a master scheduling program as sales continue to increase.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Other restaurant operating expenses increased approximately $1,176,000 or 6.0% from approximately $19,575,000 in 1991 to approximately $20,751,000 in 1992, but as a percentage of revenue remained at 13.6% in both periods. The increase was primarily due to normal increases in facility costs associated with the additional number of restaurants operated by the Company and the increased revenues. Workers compensation allocated to other restaurant operating expenses which had increased significantly since May 1990 decreased by approximately

$258,000 or 10.9% from approximately $2,357,000 in 1991 to approximately $2,099,000 in 1992. Following the implementation of an aggressive loss control program, both the frequency and severity of losses have declined significantly.

Taxes other than income taxes increased by approximately $278,000, or 4.4%, from approximately $6,341,000 in 1991 to approximately $6,619,000 in 1992, and decreased to 4.3% of revenues in 1992 compared to 4.4% of revenues in 1991.

Depreciation and amortization increased by approximately $381,000, or 5.1%, from approximately $7,502,000 in 1991 to approximately $7,883,000 in 1992 primarily due to recent capital expenditures in the form of newly built restaurants, continued implementation of the Company's remodeling program and refurbishments.

Selling, general and administrative expenses decreased by approximately $641,000 or 3.5% from approximately $18,260,000 in 1991 to approximately $17,619,000 in 1992 and from 12.6% of revenues to 11.6% of revenues between the periods. Increases in incentive compensation, advertising and professional fees from 1991 to 1992 were offset by reduced freight and trucking costs, reduced insurance and employee benefits and improved absorption of general and administrative expenses by the commissary operations. Savings in corporate overhead which are expected to result from the corporate restructuring (which gave rise to a restructuring charge of $2,750,000 during the fourth quarter of 1991) are expected to begin to be realized in the latter half of 1992.

Operating income increased approximately $4,876,000, or 123% from approximately $3,971,000 in 1991 to approximately $8,847,000 in 1992 as a result of the aforementioned increase in revenues and decreases in costs as a percentage of revenues.

Interest income increased by approximately $1,989,000, or 217%, from approximately $915,000 in 1991 to approximately $2,904,000 in 1992. Interest income consists of income earned by the Company on its invested assets which are not required for day-to-day operations. The 1992 amount includes approximately $1,827,000 of net interest on income tax refunds received in 1992, following the final resolution of certain prior year income tax examinations. The interest earned on the Company's invested assets increased by approximately $162,000. This resulted from the greater amount of cash available for investment in 1992, but was offset by the lower interest rates available in 1992 for such investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Interest expense decreased approximately $668,000, or 6.8%, from approximately $9,780,000 in 1991 to approximately $9,112,000 in 1992 primarily due to savings of approximately $691,000 resulting from the Company's repurchase of $15,850,000 principal amount of Restaurants' 14.25% Senior Subordinated Notes (the "Notes") during March and April of 1992 and savings of approximately $190,000 resulting from declining interest rates and lower average balances on Restaurants' short-term borrowing. The savings were offset by, among other things, approximately $108,000 of additional interest related to the increase in obligations under capital leases at Restaurants and approximately $90,000 related to certain income tax liabilities.

In March 1992, the Company purchased $12,950,000 principal amount of the Notes for $14,549,000 in cash. During April 1992 the Company purchased an additional $2,900,000 principal amount of the Notes for $3,249,000. The cost of the repurchased notes in excess of their face amounts, together with approximately $423,000 of related deferred debt costs, was charged to income as an extraordinary item, net of income tax, during the first half of 1992. (See Note 3 of the Notes to Consolidated Financial Statements).

Quarter Ended June 30, 1992 Compared to the Quarter Ended June 30, 1991

Revenues increased approximately $3,696,000, or 5.7%, from approximately $64,754,000 in 1991 to approximately $68,450,000 in 1992. This increase was primarily attributable to additional sales of approximately $3,941,000 from new restaurants built after the second quarter of 1991, approximately $799,000 from a same store sales increase of 2.0% in the Shoney's concept, offset by a 1.9% decrease in the Captain D's concept, and approximately $315,000 from insurance operations. These increases were offset by decreases in revenue from closed stores and the Company's other restaurant concepts totalling approximately $1,359,000.

The cost of food and supplies decreased by approximately $1,147,000, or 4.6%, from approximately $24,794,000 in 1991 to approximately $23,647,000 in 1992. The cost of food and supplies as a percentage of revenue declined from 38.3% to 34.5% between 1991 and 1992. These decreases related to improvements in the Company's commissary operations, a general decline in the cost of certain food items purchased by the Company and improved purchase discounts and rebates.

Labor costs increased by approximately $834,000, or 5.3% from approximately $15,861,000 in 1991 to approximately $16,695,000 in 1992. Despite an increase in the minimum wage after the first quarter of 1991, labor costs as a percentage of revenue declined from 24.5% in 1991 to 24.4% in 1992. The decline is a result of the Company's continuing efforts to decrease labor costs through the utilization of a master scheduling program as sales continue to increase. This savings was added to other savings already realized from the Company's improvements in its commissary operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Other restaurant operating expenses increased approximately $624,000 or 7.2% from approximately $8,701,000 in 1991 to approximately $9,325,000 in 1992, and as a percentage of revenue, increased from 13.4% to 13.6%. This increase was primarily due to normal increases in facility costs associated with the additional number of restaurants operated by the Company and the increased revenues. Workers compensation allocated to other restaurant operating expenses which had increased significantly since May 1990 decreased by approximately $43,000 or 5.1% from approximately $843,000 in 1991 to approximately $800,000 in 1992. Following the implementation of an aggressive loss control program, both the frequency and severity of losses have declined significantly.

Taxes other than income taxes increased by approximately $204,000, or 7.4%, from approximately $2,752,000 in 1991 to approximately $2,956,000 in 1992, and increased to 4.3% of revenues in 1992 compared to 4.2% of revenues in 1991.

Depreciation and amortization increased by approximately $217,000, or 6.6%, from approximately $3,265,000 in 1991 to approximately $3,482,000 in 1992 primarily due to recent capital expenditures in the form of newly built restaurants, continued implementation of the Company's remodeling program and refurbishments.

Selling, general and administrative expenses decreased by approximately $441,000 or 5.4% from approximately $8,208,000 in 1991 to approximately $7,767,000 in 1992 and from 12.7% of revenues to 11.3% of revenues between the quarterly periods. Increases in incentive compensation, advertising and professional fees from 1991 to 1992 were offset by reduced freight and trucking costs, reduced insurance and employee benefits, a reduction in the accrual for stock appreciation rights and improved absorption of general and administrative expenses by the commissary operations. Savings in corporate overhead which are expected to result from the corporate restructuring (which gave rise to a restructuring charge of $2,750,000 during the fourth quarter of 1991) are expected to begin to be realized in the latter half of 1992.

Operating income increased approximately $3,405,000, or 290% from approximately $1,173,000 in 1991 to approximately $4,578,000 in 1992 as a result of the aforementioned increase in revenues and decreases in costs as a percentage of revenues.

Interest income increased by approximately $25,000, or 5.8%, from approximately $430,000 in 1991 to approximately $455,000 in 1992. Interest income consists of income earned by the Company on its invested assets which are not required for day-to-day operations. This increase resulted from the greater amount of cash available for investment in 1992, but was offset by the lower interest rates available in 1992 for such investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Interest expense decreased approximately $525,000, or 12.4%, from approximately $4,224,000 in 1991 to approximately $3,699,000 in 1992 primarily due to savings of approximately $517,000 resulting from the Company's repurchase of $12,950,000 principal amount of the Notes during March 1992 and $2,900,000 principal amount during April 1992 and savings of approximately $91,000 resulting from declining interest rates and lower average balances on Restaurants' short-term borrowing. The savings were offset by, among other things, approximately $67,000 of additional interest related to the increase in obligations under capital leases at Restaurants.

In April 1992 the Company purchased $2,900,000 principal amount of the Notes for $3,249,000. The $349,000 excess of the cost of the repurchased notes above their face amount, together with approximately $78,000 of related deferred debt costs, was charged to income as an extraordinary item, net of income tax, during the second quarter of 1992. (See Note 3 of the Notes to Consolidated Financial Statements).

General

The provisions for income taxes consist of state and local income taxes and a federal tax benefit at the statutory rate of 34% on the income (loss) from continuing operations. When providing for income taxes, the income (loss) before provision (benefit) for income taxes must be increased by the difference between the amount of depreciation and amortization expense related to the fair value of Restaurants' assets acquired and the amount of depreciation and amortization expense for these same assets allowed for income tax purposes (See Note 4 of the Notes to Consolidated Financial Statements). In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes. Adoption of this statement is currently required for fiscal years beginning after December 15, 1992. The Company is not able to determine at the present time the effect that adoption of the new statement will have on its consolidated financial statements.

Liquidity and Capital Resources

On August 6, 1992, the Company completed the refinancing (the "Refinancing") of the Notes. Pursuant to the Refinancing, the Company issued $51,750,000 aggregate principal amount of its 8-1/4% Convertible Subordinated Debentures due 2002 (the "Debentures"), which are guaranteed by Restaurants on a subordinated basis, and Restaurants entered into a new credit agreement with a syndicate of banks (the "Banks") providing for term and revolving credit facilities totalling $55,000,000 (the "Credit Facilities"). The net proceeds from the Debenture offering (the "Offering"), together with $45,000,000 of existing corporate funds, were contributed to Restaurants by the Company and were used by Restaurants along with borrowings under the Credit

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Facilities, to repurchase approximately $97,500,000 aggregate principal amount of the Notes. Approximately $81,650,000 aggregate principal amount of the Notes were repurchased pursuant to a tender offer (the "Tender Offer"), at a total cost of approximately $95,000,000 including premium, consent fees and accrued interest to July 29, 1992. An additional $15,850,000 aggregate principal amount of the Notes, previously purchased by the Company for $17,798,000 prior to May 1, 1992, were repurchased by Restaurants at a total cost of approximately $18,300,000, which amount represented the Company's cost plus accrued interest to July 29, 1992 (the "Intercompany Repurchase").

The Debentures are convertible at the option of the holder into common shares of the Company ("Common Shares") at any time prior to maturity, unless previously redeemed or repurchased, at a conversion price of $6.50 per share, subject to adjustment in certain events. The Debentures mature on July 15, 2002 and are redeemable, in whole or in part, at the option of the Company at any time on or after July 15, 1995, initially at 105.775% of their principal amount and declining to 100% of their principal amount on July 15, 2002, together with accrued and unpaid interest. The Debenture holders may also require the Company to repurchase the Debentures, in whole or in part, in certain circumstances involving a change in control of the Company as defined in the indenture covering the Debentures (the "Indenture"). However, a change in control, as defined in the Indenture, will create an event of default under the Credit Facilities and, as a result, any repurchase would, absent a waiver, be blocked by the subordination provisions of the Indenture until the Credit Facilities (and any other senior indebtedness of the Company and senior indebtedness of the Guarantor with respect to which there is a payment default) have been repaid in full.

The Debentures are unconditionally guaranteed (the "Guarantee") on a subordinated basis by Restaurants (the "Guarantor"). The Debentures and the Guarantee are subordinated to all existing and future senior indebtedness, as defined in the Indenture, of the Company and Restaurants, respectively, and are also effectively subordinated to all indebtedness of the other subsidiaries of the Company and the subsidiaries of Restaurants. The Indenture does not prohibit or limit the ability of the Company or any of its subsidiaries to incur additional indebtedness, including that which will rank senior to the Debentures.

On July 29, 1992, simultaneously with the consummation of the Offering and the Tender Offer, Restaurants entered into the credit agreement covering the Credit Facilities. The Credit Facilities consist of a $30,000,000 term loan facility (the "Term Loan Facility") and a $25,000,000 revolving credit facility (the "Revolving Credit Facility"). Up to $20,000,000 of the Revolving Credit Facility is available for direct borrowings by Restaurants (the "Revolving Borrowings") for general corporate purposes. A portion of the Revolving Credit Facility is also available for letters of credit.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

The Term Loan Facility, of which the entire $30,000,000 has been borrowed, matures approximately five years after closing and is payable in 20 consecutive quarterly installments of $750,000 per quarter during the first two years of the Term Loan and $2,000,000 per quarter for the remainder of the Term Loan. The Revolving Credit Facility matures two years after closing at which time Revolving Borrowings will be required to be repaid in full. Because the Credit Facilities do not permit the obtaining of a replacement for the Revolving Credit Facility from another lender, Restaurants will likely be required to refinance the entire amount of the Credit Facilities upon the expiration of the Revolving Credit Facility unless the Banks extend the Revolving Credit Facility.

The borrowings under the Credit Facilities have initially been secured by all shares of the capital stock of Restaurants whenever issued, intercompany debt of Restaurants owed to the Company and lease assignments with respect to certain premises in which the land is currently leased but the building located thereon is owned by Restaurants. In addition, the Banks have the right to obtain, as security, assignments of other leases and/or mortgages on real property currently owned or hereafter acquired. Notwithstanding the foregoing, Restaurants has rights to finance certain of these properties and obtain a release of the collateral under certain conditions. The Company has irrevocably and unconditionally guaranteed the full and prompt payment when due of all obligations of Restaurants under the Credit Facilities.

The Credit Facilities limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, pay dividends, issue preferred stock of subsidiaries, repay indebtedness prior to its stated maturity, create liens, sell assets or engage in mergers or acquisitions, make certain capital expenditures and make investments in subsidiaries. Restaurants must also maintain certain financial ratios.

Pursuant to the Tender Offer, Restaurants offered to purchase $84,150,000 aggregate principal amount of the Notes at an aggregate cash purchase price of $1,140 per $1,000 principal amount of such Notes plus accrued interest thereon, for validly tendered Notes and validly delivered consents to certain amendments (the "Amendments") to the indenture covering the Notes (the "14.25% Indenture"). The Amendments, adopted pursuant to the supplemental indenture to the 14.25% Indenture dated July 20, 1992, modified certain covenants in the 14.25% Indenture relating to, among other things, dividends and other restricted payments, incurrence of indebtedness and transactions with affiliates, in order to facilitate the Refinancing. $81,676,000 principal amount of the Notes were accepted for purchase and paid for by the Company. The Company had previously purchased $15,850,000 aggregate principal amount of the Notes in the open market. The total cost of the Notes repurchased pursuant to the Tender Offer and the additional $1,000,000 repurchased on August 11, 1992, in excess of their principal amount, together with the consent fees, the related deferred finance costs and the costs of the Tender Offer, will be charged to income as an extraordinary item, net of income tax, during the third quarter of 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(continued)

Restaurants sold $100,000,000 principal amount of the Notes in November 1988. Following the Refinancing and Restaurants repurchase of an additional $1,000,000 principal amount of the Notes, approximately $1,500,000 of the Notes remain outstanding. Restrictions under the Indenture, the Guarantee, the Credit Facilities and the 14.25% Indenture, as amended, are not expected to affect the Company's ability to meet its cash obligations. (See Note 3 of the Notes to Consolidated Financial Statements).

As of July 12, 1992, there was $2,100,000 outstanding against Restaurants' line of credit in the amount of $10,000,000 which was extended until the closing of the Credit Facilities on July 29, 1992. In connection with the line of credit, the Company has pledged a $6,000,000 certificate of deposit with the bank as security for Restaurants' repayment of the first $6,000,000 of any outstanding balance on the credit line and guaranteed Restaurants' repayment of any remaining balance of the credit line. As of the end of the second quarter, Restaurants' had $7,780,000 of standby letters of credit outstanding. The letters of credit were secured by a $5,700,000 certificate of deposit of the Company. Pursuant to the Refinancing, the line of credit was repaid, the outstanding letters of credit have been deemed issued pursuant to the Revolving Credit Facility and the certificates of deposit which had been securing the obligations of Restaurants and which are reflected as restricted cash deposits on the consolidated balance sheets, became available for general working capital purposes. As of August 10, 1992, standby letters of credit in the amount of approximately $7,780,000 were outstanding and there were no Revolving Borrowings outstanding. Consequently, approximately $17,220,000 of the Revolving Credit Facility is available for general corporate purposes. The Company believes that all of its working capital needs for 1992 will be met through cash generated from operations and borrowings available under the Credit Facilities. (See Note 3 of the Notes to Consolidated Financial Statements).

Restaurants has a working capital deficiency at July 12, 1992 of approximately $25,000,000. The Company's restaurant operations do not have significant receivables or inventory and receive trade credit based upon negotiated terms in purchasing food and supplies. Therefore, like many other companies in the restaurant industry, Restaurants generally operates with negative working capital.

The Company's "maintenance capital expenditures" at existing restaurants approximate $2,000,000 annually and are required in order to replace individual building or equipment components which are needed from time to time as a result of normal wear. In addition, the Company has embarked on a plan to expand the number of restaurants that it operates. The Company's current expansion plan is based upon a number of factors, including the amount and terms of financing the Company currently anticipates being available, the anticipated cost of construction and the continued success of its restaurants. Remodeling costs for existing restaurants and costs for land, building and equipment for new restaurants and support facilities were approximately $14,000,000 during 1991 and approximately $12,000,000 during the first half of 1992. Restaurants

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

received proceeds of approximately $2,030,000 through sale-leaseback transactions during the first half of 1992, which provided for the financing of approximately eighty percent of the costs of certain of its Shoney's restaurants. Such proceeds represent a reimbursement for a portion of Restaurants' cash outlays during 1992 and 1991 for the aforementioned costs for new restaurants.

After giving effect to the Refinancing, based upon current levels of operations and anticipated growth, the Company expects that sufficient cash flow will be generated from operations so that, combined with other financing alternatives available to it, including borrowings under the Credit Facilities, mortgage financing and sale-leaseback transactions as described above, the Company will be able to meet all of its debt service requirements, as well as its capital expenditure and working capital requirements.

Restaurants is required under an agreement with Shoney's, Inc. to have open on July 1, 1995 the same number of Shoney's restaurants (including the additional Shoney's described below) that were operated by Restaurants on July 1, 1988 (170 restaurants) to avoid termination of its reserved area agreements. Operating restaurants which were purchased from existing franchisees may not be counted towards the July 1, 1995 requirement. As of August 10, 1992 the Company needed to construct six new Shoney's restaurants in order to meet this requirement. Restaurants' reserved area agreement for Shoney's restaurants for 28 counties in Texas includes an expansion schedule that requires Restaurants to develop a total of 14 Shoney's restaurants over a nine year period ending in 1997 or Shoney's, Inc. would have the right to terminate the Company's exclusive rights in those counties. Additionally, Restaurants has entered into an agreement with Shoney's, Inc. to develop 38 new Captain D's restaurants over the next 20 years, at the approximate rate of two per year. Restaurants intends to meet these expansion requirements, and the costs for such expansions through 1992 are provided for in the Company's current and planned capital expenditures described above.

The Company received a cash payment from Siemens Information Systems, Inc. ("Siemens") of $43,000,000 in November 1991 in full settlement of all outstanding disputes between the Company and Siemens. In 1992, the Company received approximately $6,500,000 in cash representing federal income tax refunds and interest related to audits of the Company's federal income tax returns from 1979 to 1987. These receipts were deposited in unrestricted cash accounts of the Company and have been utilized in connection with the Refinancing.

Since 1987, the Board of Directors of the Company (the "Board") has authorized the purchase of up to a total of 10,000,000 Common Shares from time to time in open market transactions. The Company purchased an aggregate of 9,010,406 shares at a total cost of approximately $45,401,000 pursuant to the Board's authorizations and the repurchased shares are being held as treasury shares to be used for general corporate purposes. The Company does not currently intend to repurchase any additional Common Shares.

The Company has no other material commitments for capital expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Discontinued Operations

Results of Operations

Theatre Operations

Discontinued Operations include the results of operations of the theatres owned by TPI Entertainment, Inc. ("Entertainment") (the "Theatres") during 1991, prior to and after their transfer to Exhibition Enterprises Partnership (the "Partnership"). Entertainment's equity in the Partnership's loss for 1992 and the administrative fee payable to Entertainment by the Partnership, in excess of current expenses of Entertainment, have not been reflected in the statement of operations for 1992 because of the Company's decision at the end of 1991 to dispose of its remaining theatre interest and its expectation that such disposal will result in a gain (See Note 2 of the Notes to Consolidated Financial Statements).

Liquidity and Capital Resources

In connection with the consummation of the agreement forming the Partnership (the "Partnership Agreement") on April 25, 1991, the Partnership assumed the obligations of Entertainment under, among other things, a term loan and a revolving credit loan from a bank (the "Bank") and thus Entertainment's term loan and revolving credit note with the Bank were cancelled and an amended and restated term promissory note in the principal amount of $40,000,000 and an amended and restated revolving credit note with a maximum aggregate limit of $5,000,000 were executed by the Partnership. The Company agreed to continue its pledge of all of Entertainment's issued and outstanding capital stock to secure the loans being assumed by the Partnership. Entertainment pledged to the Bank its partnership interest in the Partnership as security for the loans and agreed to guarantee the obligations of the Partnership pursuant to the loan documents. In addition, the agreements with the Bank provide for certain restrictions on the operations of Entertainment (See Note 2 of the Notes to Consolidated Financial Statements).

As a result of the consummation of the Partnership Agreement, the Company's commitments for capital expenditures in connection with the operation of the Theatres have been assumed by the Partnership. Pursuant to the Partnership Agreement, Entertainment and CENI are required to make additional cash contributions to the Partnership to the extent that Available Funds, as defined in the Partnership Agreement, are insufficient to fully fund certain expenses of the Partnership. However, under certain circumstances, to the extent that Available Funds are insufficient due to capital expenditures, American Multi-Cinema, Inc., the parent of CENI, may be required to advance the funds to cover such deficiency. Entertainment does not currently anticipate that it will be required to make any such additional cash contributions. The Company has not guaranteed the obligations of Entertainment to make such additional contributions.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS:

For a discussion of current developments in the Company's legal proceedings see Note 5 of the Notes to Consolidated Financial Statements appearing in Part I - Financial Information.

Item 2. CHANGES IN SECURITIES:

None

Item 3. DEFAULTS UPON SENIOR SECURITIES:

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS:

Not Applicable

Item 5. OTHER INFORMATION:

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibits:
None

(b) Reports on Form 8-K:
None

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TPI ENTERPRISES, INC.
(REGISTRANT)

DATE: August 13, 1992

BY /s/ Stephen R. Cohen
STEPHEN R. COHEN
CHIEF EXECUTIVE OFFICER

DATE: August 13, 1992

BY /s/ Joseph P. Gowan
JOSEPH P. GOWAN
CHIEF FINANCIAL OFFICER

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15 (d) of
The Securities Exchange Act of 1934

Microfilmed
By
Q-Data
Corporation
St. Petersburg, FL

For Quarter Ended June 30, 1992

Commission File Number 0-11178

UTAH MEDICAL PRODUCTS, INC.
(Exact name of Registrant as specified in its charter)

UTAH	87-0342734
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)

7043 SOUTH 300 WEST, MIDVALE, UTAH 84047
(Address of principal executive offices)

(801) 566-1200
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock	7,779,543
TITLE OR CLASS	Number of Shares Outstanding at June 30, 1992

UTAH MEDICAL PRODUCTS, INC.
INDEX TO FORM 10-Q

PART I FINANCIAL INFORMATION PAGE

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PART II OTHER INFORMATION

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UTAH MEDICAL PRODUCTS, INC.
BALANCE SHEETS AS OF JUNE 30, 1992 AND DECEMBER 31, 1991

ASSETS	JUNE 30, 1992	DECEMBER 31, 1991
CURRENT ASSETS:		
Cash	$ 2,689,319	$ 1,558,478
Investments	3,488,157	4,878,147
Accounts receivable - net	5,405,392	3,820,279
Accrued interest and other	173,302	156,397
Inventories	5,222,527	4,197,121
Prepaid expenses	189,453	6,676
Deferred income taxes	56,887	56,887
Total current assets	17,225,036	14,673,985
PROPERTY AND EQUIPMENT - NET	7,116,340	6,186,103
INTANGIBLE ASSETS - NET	448,440	307,309
DEFERRED INCOME TAXES	211,750	211,750
TOTAL	$25,001,566	$21,379,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term capital lease obligation		$ 17,081
Accounts payable	$ 1,596,853	1,467,310
Accrued expenses:		
Payroll and payroll taxes	912,417	828,325
Income taxes payable	356,580	260,633
Customer returns and rebates	157,794	111,881
Other	80,026	211,214
Deferred revenue	514,056	856,756
Total current liabilities	3,617,726	3,753,200
DEFERRED REVENUES	473,000	
Total liabilities	4,090,726	3,753,200

(continued on page 2)

UTAH MEDICAL PRODUCTS, INC.
BALANCE SHEETS AS OF JUNE 30, 1992 AND DECEMBER 31, 1991
(continued)

	JUNE 30, 1992	DECEMBER 31, 1991
STOCKHOLDERS' EQUITY:		
Preferred stock - $.01 par value; authorized 5,000,000 shares; no shares issued or outstanding		
Common stock - $.01 par value; authorized 50,000,000 shares; issued - June 30, 1992, 7,779,543 shares December 31, 1991, 7,717,393 shares	77,795	77,174
Additional paid-in-capital	4,313,202	4,025,262
Retained earnings	16,519,842	13,523,511
Total stockholders' equity	20,910,840	17,625,947
TOTAL	$25,001,566	$21,379,147

UTAH MEDICAL PRODUCTS, INC.
STATEMENTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1992 AND JUNE 30, 1991

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1992	1991	1992	1991
NET SALES	$8,882,421	$7,233,317	$17,023,227	$13,735,419
COST OF SALES	5,068,363	4,420,532	9,739,157	8,338,694
GROSS MARGIN	3,814,058	2,812,785	7,284,070	5,396,725
EXPENSES:				
Selling, general and administrative	1,232,715	885,185	2,291,612	1,625,314
Research & development	348,001	181,977	701,759	396,559
Total expenses	1,580,716	1,067,162	2,993,371	2,021,873
INCOME FROM OPERATIONS	2,233,342	1,745,623	4,290,699	3,374,852
OTHER INCOME (EXPENSE):				
Dividend and interest income	78,010	72,654	134,755	153,091
Other income	422		536	
Royalty income	178,133	15,605	236,290	28,855
Interest expense	(768)	(3,562)	(1,952)	(7,247)
INCOME BEFORE INCOME TAX EXPENSE	2,489,139	1,830,320	4,660,328	3,549,551
INCOME TAX EXPENSE	892,821	644,832	1,663,997	1,246,074
NET INCOME	$1,596,318	$1,185,488	$ 2,996,331	$ 2,303,477
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	$ .20	$ .15	$ .37	$ .29
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	7,985,860	8,013,097	8,002,990	7,986,000

SEE NOTES TO FINANCIAL STATEMENTS

UTAH MEDICAL PRODUCTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND JUNE 30, 1991

	JUNE 30,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$2,996,331	$2,303,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	409,707	273,939
Provision for losses on accounts receivable and sales returns	59,045	49,000
Loss on retirement of assets	2,214	
Changes in operating assets and liabilities:		
Increase in:		
Accounts receivable	(1,590,113)	(847,036)
Accrued interest and other	(16,905)	
Inventories	(1,025,406)	(459,170)
Prepaid expenses	(182,777)	(23,963)
Accounts payable	129,543	155,052
Accrued expenses	35,719	
Deferred revenue	130,300	
Decrease in:		
Accrued interest and other		442
Accrued expenses		(276,715)
Deferred revenue		(80,000)
Total adjustments	(2,048,673)	(1,208,451)
Net cash provided by operating activities	947,658	1,095,026
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(1,343,168)	(1,269,592)
Intangible assets	(145,604)	(30,472)
Purchases of investments	(1,800,000)	(1,500,000)
Proceeds from the sale of:		
Property and equipment	475	
Investments	3,200,000	1,500,000
Net cash used in investing activities	(88,297)	(1,300,064)

(continued on page 5)

UTAH MEDICAL PRODUCTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 31, 1992 AND JUNE 30, 1991
(continued)

	JUNE 30,	
	1992	1991
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of:		
Common stock	288,561	36,164
Treasury stock		16,856
Principal payments on capital lease obligations	(17,081)	(41,762)
Net cash provided by financing activities	271,480	11,258
NET INCREASE (DECREASE) IN CASH	1,130,841	(193,780)
CASH AT BEGINNING OF PERIOD	1,558,478	1,183,043
CASH AT END OF PERIOD	$2,689,319	$ 989,263
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - Cash paid during the quarter for:		
Interest	$ 1,952	$ 7,247
Income taxes	1,568,050	1,283,745
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Tax benefit attributable to appreciation of stock options exercised in conjunction with the Employees' Stock Purchase Program	$ 369,532	

SEE NOTES TO FINANCIAL STATEMENTS

UTAH MEDICAL PRODUCTS, INC.
NOTES TO FINANCIAL STATEMENTS

(1) In the opinion of management, the accompanying financial statements contain all adjustments consisting only of normal recurring accruals necessary for a fair presentation of financial position as of June 30, 1992 and December 31, 1991, and the results of operations for the three and six month periods ended June 30, 1992 and 1991 and cash flows for the six month periods ended June 30, 1992 and 1991.

(2) The results of operations for the three and six month periods ended June 30, 1992 and 1991 are not necessarily indicative of the results for the full years.

(3) Inventories consisted of the following:

	June 30, 1992	December 31, 1991
Finished goods	$ 650,709	$ 1,010,417
Work-in-process	1,284,426	1,252,999
Raw materials	3,287,392	1,933,705
Total inventories	$ 5,222,527	$ 4,197,121

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

For additional information regarding liquidity and capital resources, reference is made to the Form 10-K for the year ended December 31, 1991.

Results for the first six months of 1992 showed an increase over the same period of 1991 with sales reaching $17,023,227, an increase of 23.9% over sales of $13,735,419 for the first six months of 1991. The sales increase was primarily the result of sales of Intran™, the intrauterine pressure monitoring device used in critical care childbirth, sales in the pressure monitoring business and increasing sales of Finesse™ and the Utah Prendiville Disposable Loop, introduced in late 1991, which are used in the excision of pre-cancerous cervical diseases. Net income for the first six months of 1992 was $2,996,331 compared with $2,303,477 for the first six months of 1991, an increase of 30.1%.

Gross margin as a percent of sales increased to 42.8% in the first six months of 1992 compared to 39.3% for the first six months of 1991. This was largely due to a more favorable product mix and the favorable effect of volume on fixed costs.

Selling, general and administrative expenses increased 13.5% of sales for the first six months of 1992 compared to 11.8% for the first six months of 1991. The amount of expenditures increased $666,298 reflecting expense increases required to meet the demands of increased sales volume.

Research & development expense was $701,759 or 4.1% of sales for the first six months of 1992 compared to $396,559 or 2.9% of sales for the first six months of 1991. More emphasis continues to be placed on the development of new products.

Dividend and interest income from invested funds amounted to $134,755 for the first six months of 1992 compared to $153,091 for the first six months of 1991. The decrease is the result of lower interest rates during this period. Royalty income was $236,290 for the first six months of 1992 compared to $28,855 for the first six months of 1991. This increase is largely due to royalties received as a result of the agreement signed with Merit Medical. Interest expense was $1,952 for the first six months of 1992 compared to $7,247 for the first six months of 1991.

The Company's current ratio was 4.76 to 1 at June 30, 1992 compared with 3.91 to 1 at December 31, 1991. The change was primarily the result of increases in accounts receivable and inventories and decreases in deferred revenues.

Property and equipment purchases during the first six months of 1992 amounted to $1,343,168. Expenditures were primarily for the completion of the molding facility which was completed in March, 1992, and additional equipment to increase our molding capacity. This expansion, as well as working capital requirements for our expanding business, has been funded from current cash flow.

Management continues to be encouraged by the Company's progress. The financial condition of the Company continues to strengthen and it is positioned to take advantage of future opportunities in volume growth in both existing and new products.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The date of Annual Meeting of Shareholders was May 8, 1992.

(b) The following Directors were elected:

Wm. Dean Wallace, M.D., Ph.D.
Christopher A. Cutler, Ph.D.
Richard L. Blanck
Perry L. Lane
Joel A. Joslin
David D. Chase

(c) The firm of Deloitte & Touche, Independent Public Accountants, was approved to serve until the next Annual Meeting of Shareholders. Affirmative votes were 6,805,522, negative votes were 6,200.

The proposal to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock to 50,000,000 was approved. Affirmative votes were 5,279,685, negative votes were 1,321,314.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UTAH MEDICAL PRODUCTS, INC.
REGISTRANT

Date 8/12/92

Christopher A. Cutler
CHRISTOPHER A. CUTLER, Ph.D.
ACTING CHIEF EXECUTIVE OFFICER

Date 8-12-92

Evan W. Merrill
EVAN W. MERRILL, C.P.A.
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark one)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-19136

NATIONAL ENERGY GROUP, INC.

(Exact name of registrant as specified in its charter)

Incorporated in the State of Delaware (State of incorporation)	IRS No. 87-0225597 (I.R.S Employer Identification No.)

1400 One Energy Square
4925 Greenville Avenue
Dallas, Texas 75206
Telephone No.: (214) 692-9211
(Address and Phone Number of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes XX No ____

Outstanding shares of each of the issuer's classes of Common Stock as of May 11, 1992:

Class A Common Stock ($0.01 par value)	5,467,348 shares
Class B Common Stock ($0.01 par value)	127,030 shares

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NATIONAL ENERGY GROUP, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

National Energy Group, Inc.

Balance Sheets

	March 31, 1992 (Unaudited)	December 31, 1991
Assets		
Current assets:		
Cash and cash equivalents	$ 309,360	$ 394,149
Accounts receivable	171,202	209,038
Other	23,708	2,838
Total current assets	504,270	606,025
Property and equipment:		
Oil and gas properties, at cost (full cost method):		
Proven properties	3,660,559	3,652,775
Unproven properties	- -	- -
Furniture, fixtures, and equipment	110,497	111,116
	3,771,056	3,763,891
Accumulated depreciation, depletion, and amortization	667,443	617,570
	3,103,613	3,146,321
Other assets	696,972	661,128
Total assets	$4,304,855	$4,413,474

See accompanying notes.

National Energy Group, Inc.

Balance Sheets

	March 31, 1992 (Unaudited)	December 31, 1991
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 341,635	$ 334,130
Accounts payable to related parties	119,530	149,354
Drilling advances	38,025	38,025
Notes payable to banks *(Note 3)*	1,150,000	1,200,000
Total current liabilities	1,649,190	1,721,509
Commitments and contingencies *(Note 4)*	- -	- -
Stockholders' equity *(Note 3)*:		
Preferred Stock, $1.00 par value:		
Authorized shares - 100,000		
Issued shares - none	- -	- -
Class A Common Stock, $.01 par value:		
Authorized shares - 11,000,000		
Issued shares - 2,643,616 at March 31, 1992 and December 31, 1991	26,436	26,436
Class B Common Stock, $.01 par value:		
Convertible shares authorized 200,000;		
Issued shares - 127,030 at March 31, 1992 and December 31, 1991	1,271	1,271
Additional paid-in capital	3,963,488	3,963,985
Deficit	(1,335,530)	(1,299,727)
Total stockholders' equity	2,655,665	2,691,965
Total liabilities and stockholders' equity	$4,304,855	$4,413,474

See accompanying notes

National Energy Group, Inc.

Statements of Operations

For the Three Months Ended March 31,
(Unaudited)

	1992	1991
Revenue:		
Oil and gas sales	$ 252,824	$ 204,526
Lease operating and management income	11,378	13,036
	264,202	217,562
Costs and expenses:		
Lease operating	83,911	57,690
Oil and gas production taxes	17,060	12,647
General and administrative	109,424	63,673
Depreciation, depletion, and amortization	62,924	60,225
	273,319	194,235
Operating profit (loss)	(9,117)	23,327
Equity in net income of Big Piney	- -	4,094
Interest income (expense), net	(26,686)	(23,366)
Net income (loss)	$ (35,803)	$ 4,055
Income (loss) per common share	$ (.01)	$ - -
Weighted average number of common and common equivalent shares outstanding	2,770,646	1,592,990

See accompanying notes

National Energy Group, Inc.

Statements of Cash Flows

For the Three Months Ended March 31,
(Unaudited)

	1992	1991
Operating Activities:		
Net income (loss)	$ (35,803)	$ 4,055
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion, and amortization	62,924	60,225
Deferred compensation	8,223	- -
Equity in net income of Big Piney	- -	(4,094)
Changes in operating assets and liabilities:		
Accounts receivable	37,836	20,826
Other current assets	- -	(10,489)
Accounts payable and accrued liabilities	7,505	(61,747)
Accounts payable to related parties	(29,824)	(20,919)
Net cash provided by (used in) operating activities	50,861	(12,143)
Investing Activities:		
Oil and gas acquisition, exploration, and development expenditures	(17,284)	(21,454)
Business acquisitions	(67,034)	(94,200)
Proceeds from sales of oil and gas properties	9,500	20,339
Other	(10,832)	1,000
Net cash used in investing activities	(85,650)	(94,315)
Financing Activities:		
Proceeds from notes payable to banks	- -	16,000
Payments of notes payable to banks	(50,000)	(35,890)
Net cash used in financing activities	(50,000)	(19,890)
Decrease in cash and cash equivalents	(84,789)	(126,348)
Cash and cash equivalents at beginning of period	394,149	373,382
Cash and cash equivalents at end of period	$ 309,360	$ 247,034
Supplemental cash flow information:		
Interest paid in cash	$ 28,986	$ 21,693

See accompanying notes.

National Energy Group, Inc.

Notes To Financial Statements
March 31, 1992 and 1991
(Unaudited)

1. Basis of Presentation -

In management's opinion, the accompanying financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of National Energy Group, Inc. (the "Company") as of March 31, 1992 and the related results of operations and cash flows for the three months ended March 31, 1992 and 1991.

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results expected for the full year.

2. Merger with VP and Big Piney

On July 20, 1990, VP entered into an agreement with Big Piney, a publicly traded oil and gas exploration and production company, whereby VP acquired 13.7% of the common stock of Big Piney in exchange for VP's investment in a producing oil and gas property that constituted approximately 37% of VP's proved developed and undeveloped reserves at June 30, 1990. VP also received $100,000 in cash as additional consideration for the property.

On June 11, 1991, the stockholders of VP and Big Piney voted to approve and adopt an Agreement of Merger (Merger Agreement), dated as of December 17, 1990, by and among the Company, Big Piney, and VP. Pursuant to the Merger Agreement, the Company issued (a) one share of Company Class A Common Stock for every 1.85 shares of VP Class A Common Stock; (b) one share of Company Class B Common Stock for every 1.85 shares of VP Class B Common Stock; (c) one Company Warrant, Series 1 for every 1.85 VP Warrants; and the Company assumed various stock options of VP. As a result, the Company issued 1,430,824 shares of Company Class A Common Stock, 162,166 shares of Company Class B Common Stock, and 464,635 Company Warrants, Series 1 and assumed options to purchase 86,486 shares of VP Class A Common Stock to effect the merger of VP with the Company. Pursuant to the Merger Agreement, the Company also issued one share of Company Class A Common Stock for every ten shares of Big Piney Common Stock, other than the shares held by VP. As a result, the Company issued 1,035,484 shares of Company

Class A Common Stock to effect the merger with Big Piney. The mergers are collectively referred to herein as the Merger.

The following pro forma data presents the consolidated results of operations of the Company for the three months ended March 31, 1991, as if the Merger had occurred on January 1, 1991. The pro forma results of operations are presented for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the Merger been consummated as presented. The following data reflects pro forma adjustments of the oil and gas sales, costs and expenses, and depletion and depreciation for Big Piney for periods prior to the Merger, and resulting pro forma adjustments to the provision for income taxes.

Revenue	$ 341,029
Net income	$ 11,753
Net income per common share	$ - -

3. Acquisition of Assets of TriSearch, Inc.

Effective April 3, 1992 the Company acquired substantially all the assets of TriSearch Inc. In connection with the acquisition, the Company also amended its revolving credit agreement with Bank One, Texas National Association. (See Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations; Part II, Item 2 - Changes in Securities; and Part II, Item 5 - Other Information - TriSearch Asset Acquisition for additional information on this acquisition.)

4. Commitments and contingencies

See "Part II, Item 1 – Legal Proceedings" on page 11 for a full discussion of pending legal proceedings.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

When compared to December 31, 1991, the Company's cash position at March 31, 1992 is 21.5% lower, and the Company's working capital deficit has increased by 2.6%. At March 31, 1992, the Company had cash and cash equivalents of $309,360 as compared to $394,149 at year end 1991. The decrease in cash and cash equivalents is primarily the result of costs incurred in connection with the acquisition of the assets of TriSearch Inc. and a $50,000 reduction in notes payable to a bank. The Company's working capital deficit at March 31, 1992 was $1,144,920 as compared to $1,115,484 at December 31, 1991. This increase in the Company's working capital deficit is primarily the result of costs incurred in connection with the acquisition of the assets of TriSearch Inc. Cash flow provided by operating activities totaled $50,861 in 1992 as compared to cash used in operating activities of $12,143 in 1991. The increase in cash provided by operating activities was primarily due to the additional cash flow from the properties acquired in the Merger, and the amount of cash absorbed by working capital requirements in 1991.

Effective September 13, 1991, the Company entered into a revolving credit agreement (as amended, the "Agreement") with Bank One, Texas National Association ("Bank One"). Effective March 31, 1992, the Company and Bank One entered into a First Amendment to Credit Agreement, in connection with the Company's acquisition of the assets of TriSearch, Inc. See "Item 5 - Other Information - TriSearch Asset Acquisition" below. As of March 31, 1992, the Company had $1,100,000 in borrowings outstanding pursuant to the Agreement, which amount is a current liability. On April 3, 1992, the Company borrowed an additional $1,200,000 to finance the acquisition of the TriSearch assets, which increased the total outstanding borrowings under the Agreement to $2,300,000 . The loan with Bank One (the "Loan") requires monthly interest only payments based on a revolving rate of 2% above Bank One's base rate. As of March 31, 1992, the revolving rate was 8.5% and the Company's approximate monthly interest payment was $7,660. Pursuant to the Agreement, the borrowing base may be adjusted by Bank One, in its sole discretion, based upon the value, for lending purposes, of the Company's oil and gas properties, up to a maximum of $10,000,000. Principal on the Loan is due on September 13, 1992, unless the Loan is renewed, extended or rearranged.

The Agreement contains various restrictive covenants, including restrictions on the Company's ability to incur indebtedness or pledge assets outside of the Agreement and prohibits the payment of dividends or other distributions on the Company's capital stock. In addition, the Agreement requires the Company to maintain certain financial ratios and balances, which include a tangible net worth of $4,700,000 (adjusted for net income, if positive, for each fiscal quarter subsequent to March 31, 1992), a debt to equity ratio of not more than 1.5 to 1.0, a current ratio of not less than 1.0 to 1.0 (with the difference between the available borrowing base and outstanding debt added to current assets for such computation), a fixed charge coverage ratio of not less than 1.2 to 1.0 determined at the end of each quarter on a four quarter rolling basis, and the Company's general and administrative expenses are not to exceed 35% of gross revenues determined at the end of each quarter on a four quarter rolling basis. At March 31, 1992, all financial ratios were either met or waived, except the tangible net worth requirement, which the Company expects to satisfy in the second quarter of 1992. The Company intends to request a waiver of this covenant violation, as the amended covenant anticipated the acquisition of TriSearch's assets which did not occur until the beginning of the second quarter of 1992.

The Company's liquidity position and current and anticipated cash flows from operations remain adequate for its general requirements and expected capital expenditures but are not sufficient to pay in full the Loan in September 1992. Due to the lending base provided by the Company's oil and gas properties following the acquisition of the assets of TriSearch, the Company expects to refinance the Loan, either by extending the Loan, entering into a similar line of credit or by entering into a term loan acceptable to the Company.

Results of Operations

Three Months Ended March 31, 1992 and 1991

The Company's oil and gas sales increased 21.4% for the three month period ended March 31, 1992 as compared to the three month period ended March 31, 1991. The increase in oil and gas sales is primarily the result of the addition of Big Piney's oil and gas sales for the 1992 period, as a result of the Merger in 1991, while the 1991 period reflects only oil and gas sales by VP prior to June 11, 1991. The Company's oil and gas sales, however, were adversely affected in the first quarter 1992 by a decrease in oil prices. The price received for the Company's oil and gas production averaged $17.46 per Bbl and $1.77 per Mcf in 1992, compared to approximately $20.44 per Bbl and $1.66 per Mcf in 1991. The increase in oil and gas sales was offset by increases in lease operating expenses and general and administrative expenses due to the Merger and the resulting increase in the Company's income producing asset base.

The Company's net loss for the three month period ended March 31, 1992 was $35,803, as compared to net income of $4,055 for the three month period ended March 31, 1991. The 1992 net loss is primarily attributable to the decrease in oil prices, and the increases in lease operating expenses and general and administrative expenses.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings.

As reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, Big Piney's Transition Report on Form 10-Q for the period ended June 11, 1991, and Big Piney's Quarterly Report for the quarter ended March 31, 1991, Donald B. Anderson d/b/a Anderson Oil and Gas Company ("Anderson") filed a lawsuit in the District Court (Seventh Judicial District) in the County of Natrona, State of Wyoming (Civil Action No. 67185) on April 8, 1991, against Hawks Industries, Inc. ("Hawks"), Big Piney and other working interest owners in the Anderson Federal No. 12-1 well in Sweetwater County, Wyoming, which lawsuit concerns an alleged gas imbalance. Big Piney did not hold an interest in or operate the well during most of the period covered by the lawsuit, and management of the Company (which has become a party to the lawsuit due to the Merger) believes that Hawks is the primary defendant in this action. The Company has responded to Anderson's complaint, however, and Anderson has also alleged a direct claim against the Company based upon an alleged agreement by Big Piney to indemnify Anderson on a cash basis for the gas imbalance. Hawks and the Company have also filed cross claims against one another. The presiding judge denied Anderson's motion to dismiss a counterclaim by Hawks, which counterclaim concerns an alleged indemnity from Anderson to Hawks. Anderson has made an offer of settlement, dated March 11, 1992. The Company is currently evaluating the settlement offer, which settlement would also cover claims related to Hawks.

In March 1991, SNS Investments, Inc. ("SNS") filed a suit against VP in the District Court of Oklahoma County, State of Oklahoma (Case No. CJ 91 1708). The Company is a party to the litigation as a result of the Merger. SNS is suing the Company for an amount to be determined, but not less than $50,000, plus pre- and post-judgment interest and attorney's fees and costs. SNS alleges that it introduced Big Piney to VP and that a finder's fee and confidentiality agreement applies to the Big Piney/VP Merger. The Company is defending this action vigorously.

Although the Company's management cannot predict the outcome of the above-described lawsuits with certainty, management believes that the ultimate resolution of these lawsuits will not have a material and adverse effect on the Company's financial condition or results of operations.

Item 2. Changes in Securities.

On April 3, 1992, the Company completed the TriSearch Asset Acquisition. See "Item 5 - Other Information - TriSearch Asset Acquisition". In connection with the TriSearch Asset Acquisition, the Company issued 4,118 shares of the Company's Redeemable Convertible Preferred Stock, Series A, $1.00 par value ("Preferred"), and agreed to issue an additional 882 shares of Preferred if the Company continues to act as operator of a particular oil and gas field in Texas between November 1993 and August 1994. The Preferred (a) will have a 5% dividend, (b) will be convertible into Class A at prices of $1.00

per share of Class A between March 31, 1992 and March 31, 1995; $1.25 per share of Class A between March 31, 1995 and Mach 31, 1996; $1.56 per share of Class A between March 31, 1996 and March 31, 1997; and $1.95 per share thereafter, with each share of Preferred valued at $85.00 for purposes of such conversion, and (c) must be redeemed by the Company at a redemption price of $85.00 per share within 90 days after a notice received on or after March 31, 1997, if not previously redeemed by the Company or converted into Class A. The Preferred prohibits, without consent of the Preferred's holders, the creation of equity stock senior to or on a parity with the Preferred as to distribution of assets in liquidation, and prohibits a merger or consolidation which would result in equity securities (or debt securities commonly understood as being of the same class as the Preferred) senior to or on a parity with the Preferred as to distribution, redemption and liquidation priority.

Dividends cannot be paid on the Company's Common Stock until all cumulative unpaid dividends on the Preferred are paid. Each share of Preferred is entitled to a $4.25 dividend per annum, beginning on April 1, 1993. The Company, however, does not expect to pay dividends on the Common Stock in the foreseeable future. In addition, the Company cannot repurchase shares of its capital stock unless dividends on the Preferred have been paid.

Item 5. Other Information.

TriSearch Asset Acquisition

On April 3, 1992, the Company completed the acquisition (the "TriSearch Asset Acquisition") of substantially all of the assets of TriSearch, Inc. ("TriSearch") pursuant to the Asset Purchase and Sale Agreement, dated as of February 7, 1992, among the Company, TriSearch and certain other parties, and the Addendum to Asset Purchase and Sale Agreement, dated as of March 31, 1992 (collectively, the "Asset Purchase Agreement".) With the TriSearch Asset Acquisition, the Company acquired interests in approximately 150 producing properties and reserves of approximately 604,823 barrels of oil and 2,467,000 mcf of gas with a discounted future net cash flows, pre-tax ("PV 10%") of approximately $3,975,083, which reserves are located primarily in Texas, Oklahoma and New Mexico.

With the TriSearch Asset Acquisition, the Company's pro forma proved developed and undeveloped reserves at December 31, 1991 consisted of approximately 910,250 barrels of oil and approximately 7,413,242 mcf of gas; of such amounts approximately 680,016 barrels and approximately 6,854,412 mcf are proved developed reserves. The pro forma PV 10% for the Company's proved oil and gas reserves, including the TriSearch Asset Acquisition, is approximately $10,117,019. The Company cautions, however, against using this data to determine the fair value of its oil and gas properties or for any other purpose, as oil prices have recently been volatile and may change significantly in future periods.

The consideration paid by the Company to TriSearch for such acquisition consisted of $1,200,000 in cash, 1,365,000 shares of Class A and 4,118 shares of the Company's newly authorized Redeemable Convertible Preferred Stock, Series A, par value $1.00 per share (the "Preferred"). The cash portion of the acquisition was funded by borrowing an additional $1,200,000 from Bank One pursuant to a credit agreement (the "Loan"). The Company also delivered 150,000 shares of Class A to two partnerships and their partners in consideration of the pledge of partnership assets to Bank One for the Loan, 10,000 shares of Class A to an individual and 1,300,000 shares of Class A into Escrow. The 1,300,000 shares of Class A in escrow will be delivered to the partnerships as of March 31, 1996 if the partnership assets are not released as security for the Loan (as defined herein), or if certain default events occur and are not cured; if the partnership assets are released as security for the Loan, on or prior to March 31, 1996, 650,000 of the Class A shares in escrow will be returned to the Company, and 650,000 shares shall be delivered to TriSearch. In addition, if the Company makes $1,200,000 or more in principal payments on the Loan or on loans to its primary lender, by March 31, 1996, TriSearch shall receive 650,000 shares of Class A, which shall either be the escrow shares mentioned in the last clause of the preceding sentence or, if necessary, newly issued shares. In addition, the Company is obligated to issue to TriSearch the following contingent compensation if the Company continues to act as operator of a particular oil and gas field in Texas: (a) a subordinated note of up to $225,000, which shall accrue at the rate of $12,000 per month for each month between March 1992 and February 1993, $9,500 per month for each month between March 1993 and October 1993, and $5,000 for November 1993 (which subordinated note shall bear interest at a rate of 8.5% per annum, although no interest is payable prior to March 1, 1993, and the subordinated note shall be amortized between March 1, 1994 and February 28, 1996); (b) up to 882 shares of Preferred, which shares shall accrue each month at specified rates between November 1993 and August 1994; and (c) up to 300,000 shares of Class A, which shall accrue each month at specified rates between March 1992 and August 1994.

The Preferred issued pursuant to the TriSearch Asset Acquisition (a) will have a 5% dividend, (b) will be convertible into Class A at prices of $1.00 per share of Class A between March 31, 1992 and March 31, 1995; $1.25 per share of Class A between March 31, 1995 and March 31, 1996; $1.56 per share of Class A between March 31, 1996 and March 31, 1997; and $1.95 per share thereafter, with each share of Preferred valued at $85.00 for purposes of such conversion, and (c) must be redeemed by the Company at a redemption price of $85.00 per share within 90 days after a notice received on or after March 31, 1997, if not previously redeemed by the Company or converted into Class A. The Preferred prohibits, without consent of the Preferred's holders, the creation of equity stock senior to or on a parity with the Preferred as to distribution of assets in liquidation, and prohibits a merger or consolidation which would result in equity securities (or debt securities commonly understood as being of the same class as the Preferred) senior to or on a parity with the Preferred as to distribution, redemption and liquidation priority.

The acquisition of TriSearch's assets and the consideration given by the Company therefore, as described in the preceding paragraphs, does not effect a change in control of the Company. Approximately 1,166,000 shares of Class A delivered at closing to TriSearch and all of the shares of Class A delivered to TriSearch as contingent compensation after the Closing (up to 300,000 shares) are expected to be distributed to certain Minority Stockholders of TriSearch's parent company, TSL, Ltd. ("TSL") which distribution will remove any possibility that TriSearch will exercise control over the Company. In addition, the Company's President holds a proxy to vote all of the shares of Class A described in the third paragraph of this section and issued at Closing (except the shares in escrow), or an aggregate of 1,525,000 shares, until the annual meeting for 1992 is held and until most of the 1,166,000 shares of Class A are distributed to Minority Stockholders (although the proxies for most of the shares expire on March 31, 1997 even if the shares are not distributed); and the Company's President also holds a proxy to vote the 1,300,000 shares of Class A in escrow during the term of the escrow, which escrow will last, absent certain default events described above, until March 31, 1996. Furthermore, by the terms of the escrow, 650,000 of the 1,300,000 shares in escrow will revert to the Company if the partnership assets are released as security for the Loan. Finally, the Company expects to issue additional shares of Class A to acquire oil and gas properties and/or companies, which issuances will reduce any future voting power of TriSearch and its affiliates.

Item 6 - Exhibits and Reports on Form 8-K.

(a) The Agreement of Merger, dated December 17, 1990, by and among the Company, Big Piney, VP, Big Piney Acquisition Corp. and VP Acquisition Corp., has been filed as Appendix A to the Company's Registration Statement on Form S-4 (No. 33-38331), dated April 23, 1991. The Asset Purchase and Sale Agreement, dated as of February 7, 1992, among the Company, TriSearch, Inc. and certain other parties, and the Addendum to Asset Purchase and Sale Agreement among the Company, TriSearch, Inc. and certain other parties, have been filed as Exhibits 10.5 and 10.6 respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

(b) A current report on Form 8-K dated April 16, 1992, was filed by the Company. The report concerned "Item 2. Acquisition or Disposition of Assets", which described the TriSearch Asset Acquisition, "Item 5. Other Events", which concerned the change of the Company's annual meeting date, and "Item 7. Financial Statements and Exhibits". Financial statements concerning the TriSearch assets were not included in the report but will be filed under cover of Form 8.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL ENERGY GROUP, INC.
(Registrant)

By: Miles D Bender
Miles D. Bender
President and Chief Executive Officer

Date: May 18, 1992

By: Bill Short
Bill A. Short
Vice President and Treasurer
Principal Financial Officer and
Principal Accounting Officer